al Baraka

Annual Report 2014

Building Our Vision in Partnership

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Your Partner Bank

"Al Baraka Banking Group's philosophy, in essence, is that Allah, The Almighty, grants mankind the power to inherit the land on this earth. As such Man is not the owner of wealth but he is responsible for it.

The purpose of Man, by the commandment of Allah, The Almighty, is to construct, embellish, create and build on this earth. Man is therefore also ordained to create jobs for others. Thus, the wealth bestowed upon us belongs to Allah, The Almighty.

Therefore, we must apply Shari'a rules related to the ownership of wealth in creating the wealth and in investing, exchanging, growing and spending the wealth."

Shaikh Saleh Abdullah Kamel
Chairman of Board of Directors, Al Baraka Banking Group

MEANING OF AL BARAKA

Baraka (blessing) represents fertility, growth and affluence. Baraka is the unseen growth of things; it comes from Allah, The Almighty, as a gift or bestowment. If Allah, The Almighty, has blessed the wealth, it will grow, prosper and flourish. The owner of that wealth will be blessed to use it for the good of himself, his family, and the wider society.

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AL BARAKA BANKING GROUP
MAIN HEADQUARTERS

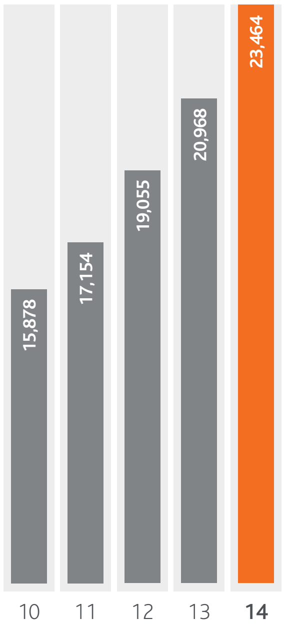
COUNTRY: KINGDOM OF BAHRAIN
TO BE OPENED IN 2015

FINANCIAL HIGHLIGHTS

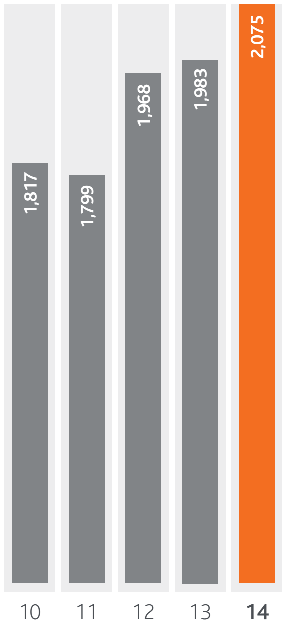
	2014	2013	2012	2011	2010
Earnings (US$ Millions)					
Total Operating Income	**918**	909	880	730	659
Net Operating Income	**396**	420	422	344	316
Net Income	**275**	258	235	212	193
Net Income Attributable to Equity Holders of the Parent	**152**	145	133	118	106
Basic and Diluted Earnings per Share - US Cents*	**13.98**	13.31	12.26	10.91	9.73
Financial Position (US$ Millions)					
Total Assets	**23,464**	20,968	19,055	17,154	15,878
Total Financing and Investments	**17,624**	15,355	14,319	11,818	11,391
Total Customer Accounts	**19,861**	17,744	16,398	14,680	13,571
Total Owners' Equity	**2,075**	1,983	1,968	1,799	1,817
Equity attributable to Parent's Shareholders	**1,338**	1,299	1,294	1,203	1,224
Capital (US$ Millions)					
Authorised	**1,500**	1,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	**1,093.9**	1,048.3	1,014.5	869.6	790.5
Profitability Ratios					
Return on Average Owners' Equity	**14%**	13%	13%	12%	11%
Return on Average Parent's Shareholders' Equity	**12%**	11%	11%	10%	9%
Return on Average Assets	**1.2%**	1.3%	1.3%	1.3%	1.3%
Operating Expenses to Operating Income	**57%**	54%	52%	53%	52%
Financial Position Ratios					
Owners' Equity to Total Assets	**9%**	10%	10%	11%	11%
Total Financing and Investments as a Multiple of Equity (times)	**8.5**	7.7	7.3	6.6	6.3
Liquid Assets to Total Assets	**25%**	27%	25%	33%	33%
Net Book Value per Share (US$)*	**1.23**	1.20	1.19	1.11	1.13
Other Information					
Total Number of Employees	**10,853**	9,891	9,398	9,021	8,503
Total Number of Branches	**549**	479	425	399	370

* Adjusted for treasury and bonus shares.

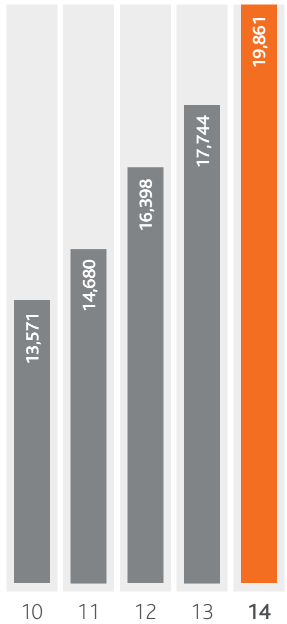
Total Assets
US$ - Millions



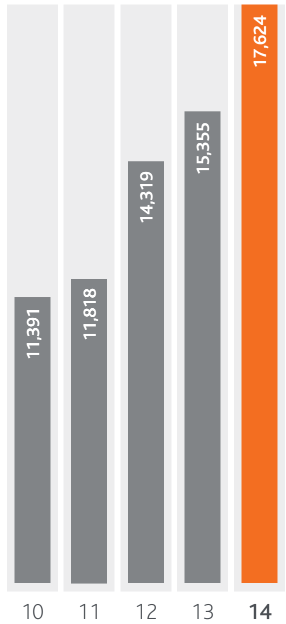
Total Owners' Equity
US$ - Millions



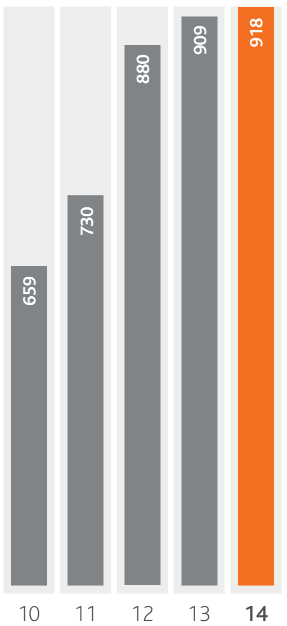
Total Customer Accounts
US$ - Millions



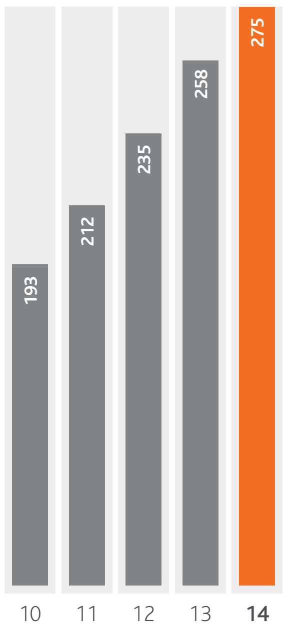
Total Financing & Investment
US$ - Millions



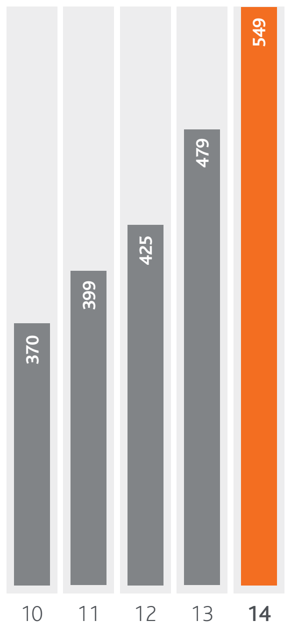
Total Operating Income
US$ - Millions



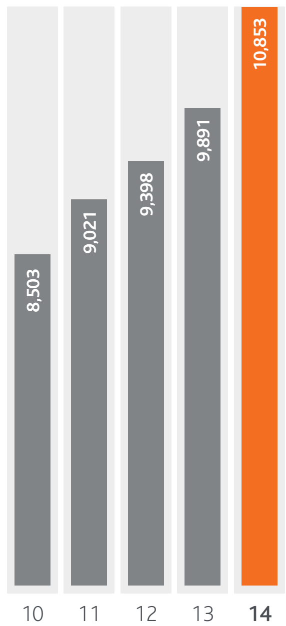
Net Income
US$ - Millions



Total Number of Branches



Total Number of Employees



THE AL BARAKA VISION & THE BRAND

OUR VISION

“WE BELIEVE SOCIETY NEEDS A FAIR AND EQUITABLE FINANCIAL SYSTEM: ONE WHICH REWARDS EFFORT AND CONTRIBUTES TO THE DEVELOPMENT OF THE COMMUNITY.”

YOUR PARTNER BANK

The Al Baraka brand is today at the forefront of Islamic banking and emphasizes Group’s commitment to becoming the natural global leader in Islamic banking. The brand is a strong symbol of not only uniting of all subsidiaries under a single banner, but stands for building trust and adding value to the lives of our customers.

The Unified Corporate Entity of Al Baraka links the philosophical dimension of participation and partnership and the equitable sharing of risk and reward – upon which upon which Islamic banking is based.

At Al Baraka, we believe that our values and ambitions go beyond mere attainment of corporate size or product range and delivery. Instead, we believe that as we build our customer relationship based on the spirit of true partnership, our growth will be both inevitable and natural.

We at Al Baraka believe that banking has, or ought to have, a crucial role to play in society, one in which as bankers we have an incredible responsibility of stewardship for the resources placed in our hands. To meet this responsibility and use these resources wisely, we rely on Shari’a principles to guide us as we participate in our customers’ successes, sharing in the social development of families, businesses and society at large.

By ‘partnership’, therefore, we mean that our success and that of each of our customers are as intertwined as our jointly held beliefs. Taking part in the joint effort is therefore our reward. We view money as a means to capitalise on opportunities and create a better society for all. Money becomes the conduit by which we enter into new opportunities together and take part in common effort for mutual reward; as steward of the resources entrusted to us, our efforts contribute to building the community, both at home and in the wider world. We call this concept:

"Beyond Banking.”

OUR VALUES & BELIEFS

PARTNERSHIP
Our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff.

DRIVEN
We have the energy and perseverance it will take to make an impact in our customer's lives and for the greater good of society.

NEIGHBOURLY
We value and respect the communities we serve. Our doors are always open; our customers always experience a warm-hearted, hospitable welcome and accommodating service.

PEACE OF MIND
Our customers can rest assured that their financial interests are being managed by us to the highest ethical standards.

SOCIAL CONTRIBUTION
By banking with us our customers make a positive contribution to a better society; their growth and our growth will benefit the world around us.

OUR BRAND PROMISE

WHAT OUR STAKEHOLDERS CAN EXPECT FROM OUR BRAND:

We are Ethical
Our Research shows that our customers are loyal because of our high ethical standards. We participate in our customers' successes, sharing in the social development of families, businesses and society at large. The trust our stakeholders place in us is based on our ethical values – it the way we do business.

We believe in Partnership
Our relationships with our customers can be defined as 'partnership', wherein our success and that of each of our customers are as intertwined as our jointly held beliefs. Taking part in the joint effort is therefore our reward. We view money as a means to capitalise on opportunities and create a better society for all. Partnership is a cornerstone of who we are and underpins everything we do. Thus we build trust by understanding diverse customer requirements and adding value.

We are Committed
The significance of partnership and long lasting relationships with clients is most essential for the Al Baraka Group. This Central value is embedded in the vision and mission of Al Baraka.

Our promise "Your Partner Bank" is aimed at rewarding efforts and contributing to the development of society, thus making Al Baraka the brand of choice for financial services, internationally. We are responsible. In acting today, thinking about tomorrow, demonstrating transparency and leadership.

BOARD OF DIRECTORS & SHARI'A SUPERVISORY BOARD

BOARD OF DIRECTORS

Shaikh Saleh Abdullah Kamel
Chairman

Mr. Abdulla A. Saudi
Vice Chairman

Mr. Abdullah Saleh Kamel
Vice Chairman

Mr. Saleh Al Yousef
Board Member

Mr. Adnan Ahmed Yousif
Board Member and President & Chief Executive

Mr. Abdul Elah Sabbahi
Board Member

Mr. Ebrahim Fayez Al Shamsi
Board Member

Mr. Jamal Bin Ghalaita
Board Member

Mr. Yousef Ali Fadil Bin Fadil
Board Member

Dr. Bassem Awadallah
Board Member

Mr. Mohyedin Saleh Kamel
Board Member

Mr. Fahad Abdullah A. Al-Rajhi
Board Member

Mr. Saud Saleh Al Saleh
Board Member

Mr. Salah Othman Abuzaid
Secretary to the Board

SHARI'A SUPERVISORY BOARD

Shaikh Dr. Abdul Sattar Abu Ghudah
Chairman

Shaikh Abdulla Bin Sulieman Al Mannea
Member

Shaikh Dr. Abdullatif Al Mahmood
Member

Shaikh Dr. Abdulaziz Bin Fowzan Al Fowzan
Member

Dr. Ahmed Mohiyeldin Ahmed
Member

Dr. Eltigani El Tayeb Mohammed
Secretary to the Shari'a Supervisory Board

INDEPENDENT DIRECTORS

Mr. Abdulla A. Saudi
Vice Chairman

Mr. Saleh Al Yousef
Board Member

Mr. Ebrahim Fayez Al Shamsi
Board Member

Mr. Jamal Bin Ghalaita
Board Member

Dr. Bassem Awadallah
Board Member

Mr. Saud Saleh Al Saleh
Board Member

BOARD COMMITTEES

BOARD EXECUTIVE COMMITTEE

Mr. Abdullah Saleh Kamel
Chairman

Mr. Adnan Ahmed Yousif
Member

Mr. Abdul Elah Sabbahi
Member

Mr. Yousef Ali Fadil Bin Fadil
Member

BOARD AUDIT AND GOVERNANCE COMMITTEE

Mr. Saleh Al Yousef *
Chairman

Mr. Ebrahim Fayez Al Shamsi *
Member

Dr. Bassem Awadallah *
Member

BOARD SOCIAL RESPONSIBILITY COMMITTEE

Dr. Bassem Awadallah *
Chairman

Mr. Adnan Ahmed Yousif
Member

Mr. Abdul Elah Sabbahi
Member

Mr. Fahad Abdullah A. Al-Rajhi
Member

BOARD AFFAIRS AND REMUNERATION COMMITTEE

Mr. Ebrahim Fayez Al Shamsi *
Chairman

Mr. Yousef Ali Fadil Bin Fadil
Member

Mr. Saleh Al Yousef *
Member

BOARD RISK COMMITTEE

Mr. Saud Saleh Al Saleh *
Chairman

Mr. Jamal Bin Ghalaita *
Member

Mr. Mohyedin Saleh Kamel
Member

Mr. Fahad Abdullah A. Al-Rajhi
Member

* Independent Director

BOARD OF DIRECTORS

Shaikh Saleh Abdullah Kamel
Chairman

Chairman, Dallah Albaraka Holding Company E.C., General Council for Islamic Banks and Financial Institutions, Jeddah Chamber of Commerce & Industry and the Islamic Chamber of Commerce, Industry and Agriculture. He also serves as Director on the Boards of a number of organisations and associations across the world. Shaikh Saleh Abdullah Kamel, a well-known and highly respected international businessman and a pioneer of Islamic banking, with a lifetime of experience spanning more than 50 years, is the founder of Dallah Al Baraka Group and the founder of the Al Baraka Banking Group. As a renowned expert in the field of Islamic banking and in recognition of his achievements and his role in promulgating Islamic economic principles – encapsulated in the message of his Group: "Reconstruction of the Earth" - Shaikh Saleh Kamel has been awarded the highest of certificates, trophies, and accolades too many to mention by many countries and organisations over his lifetime. Shaikh Saleh Abdulla Kamel, a Saudi national, holds a Bachelor of Commerce degree.

Mr. Abdulla A. Saudi
Vice Chairman

Chairman, United Bank for Commerce and Investments, Tripoli, Libya and Executive Chairman, ASA Consultants W.L.L., Bahrain. Previously President & Chief Executive, Arab Banking Corporation (B.S.C.), Bahrain from its founding by him in 1980 to 1994. He also founded Arab Financial Services (E.C.) and ABC Islamic Bank (E.C.), Bahrain. Prior to that he was Executive Chairman, Libyan Arab Foreign Bank, Tripoli - which he was also responsible for founding - before which he held various positions at the Central Bank of Libya for 14 years. Mr. Saudi is a world-renowned and respected international banker with over 50 years' experience who, over his distinguished career, has received many International accolades and decorations including being awarded the title of one of the "Most Innovative Bankers" in 1980 at a presentation at Georgetown University, Washington D.C., the "Best Banker" award by the Association of Arab American Banks in 1990, the "Arab Banker of the Year" award from the Union of Arab Banks in 1993 along with several gold medals and awards, notable amongst which are those bestowed by the King of Spain and the President of Italy in 1977 and the Grand Medal of the Republic of Tunisia in 1993. Recently he was honoured with the Integrity Award for Combating Forgery by the Arab Union - subordinate of the Arab League in 2012. Mr. Saudi, a Libyan national, holds a Certificate in Management and Accounting.

Mr. Abdulla Saleh Kamel
Vice Chairman

President and CEO of Dallah Albaraka Group, Saudi Arabia. Chairman of Aseer Company, Chairman of Amlak Real Estate Development and Finance and Chairman of Okaz Press and Publishing Corporation, Vice-Chairman of King Abdullah Economic City Eimaar, Board Member of Bank AlJazira. Previously held a number of executive positions at Dallah Group culminating with the position of Vice President for Business Sector until 1999 when he assumed his current position. Mr. Abdulla Kamel has acquired over 26 years' experience in various fields in his career. Mr. Abdulla Kamel has also been and remains very active in public and charitable activities through his membership of many international and local organizations and associations, such as Jeddah Chamber of Commerce (twice as Board Member), Young Presidents' Organization, Friends of Saudi Arabia, The Centennial Fund and the Board of Trustees of the Prince of Wales Business Leaders Forum. Mr. Abdulla Kamel, a Saudi national, studied Economics at University of California at Los Angeles, USA.

Mr. Saleh Al Yousef
Board Member

Board Member, Al Baraka Bank Lebanon. Previously Chairman and Managing Director of The Industrial Bank of Kuwait K.S.C. Prior to that Mr. Al Yousef held a number of executive positions with The Industrial Bank of Kuwait and the Central Bank of Kuwait. He has also served as Chairman of ABC Islamic Bank (E.C.), Bahrain and of the Supervisory Board of Arab Banking Corporation – Daus & Co. GmbH, Frankfurt, as Chairman and Managing Director of Afkar Holding Co., Commissioner, Capital Markets Authority, Kuwait, and on the Boards of Directors of the Financial Securities Group, Gulf Bank K.S.C., Kuwait, Arab Banking Corporation (B.S.C.), Bahrain, Ahli United Bank B.S.C., London and Gulf Investment Corporation. He has over 32 years' experience in Banking Industry. Mr. Al Yousef, a Kuwaiti national, holds a Bachelor of Commerce Degree from Kuwait University.

BOARD OF DIRECTORS (continued)

Mr. Adnan Ahmed Yousif
Board Member and President & Chief Executive

President & Chief Executive, Al Baraka Banking Group, Chairman of Jordan Islamic Bank, Banque Al Baraka D'Algérie, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd., South Africa, Al Baraka Bank Egypt, Al Baraka Bank Lebanon, Al Baraka Bank Syria, Al Baraka Bank Sudan and Al Baraka Bank (Pakistan) Ltd., Vice Chairman of Al Baraka Islamic Bank, Bahrain and Director of Al Baraka Bank Tunisia and Itqan Capital, Saudi Arabia. Past Chairman of the Union of Arab Banks for two successive terms and twice recipient of the "Islamic Banker of the Year" Award at the World Islamic Banking Conference. Mr. Yousif has additionally been honoured with the King Hamad Prize (Competency, First Class) Medal and awarded the Tatweej Award for excellence in leadership and institutional performance in the category "Wise Leadership in the Field of Arab Banking for 2012" and the 2012 "LARIBA Award for Excellence in Achievement" by LARIBA American Finance House. He has over 39 years' experience in international banking. Mr. Yousif, a Bahraini national, holds a Master of Business Administration degree from University of Hull, UK.

Mr. Abdul Elah Sabbahi
Board Member

Vice President, Dallah Al Baraka Group, Chairman of Al Baraka Bank Tunisia, Arab Leasing International Finance, Saudi Arabia and La Société de Promotion du Lac de Tunis. Mr. Sabbahi is also a Member of the Boards of Dallah Al Baraka Holding Co. E.C., Bahrain, Al Amin Investment Co., Jordan and a number of other international companies. Mr. Sabbahi has had over 33 years' experience in international banking, the last 22 of which were with the Dallah Al Baraka Group in Saudi Arabia. Mr. Sabbahi, a Saudi national, holds a Bachelor of Science Degree in Accounting from King Abdulaziz University, Saudi Arabia.

Mr. Ebrahim Fayez Al Shamsi
Board Member

Board Member, Al Baraka Turk Participation Bank and Al Baraka Bank Syria. Previously Member of the Board of Arab Fund for Economic & Social Development, Kuwait, Chief Executive Officer of Emirates Islamic Bank, Dubai and Deputy General Manager, Abu Dhabi Fund for Development. Mr. Al Shamsi brings with him 42 years' varied experience in the financial services industry and in service of the U.A.E. Government. Mr. Al Shamsi, a UAE National, holds a Bachelor of Commerce degree.

Mr. Jamal Bin Ghalaita
Board Member

Chief Executive Officer, Emirates Islamic Bank, Chairman of Emirates Islamic Financial Brokerage LLC and Board Member of Tanfeeth LLC and SHUAA Capital PSC. Previously, Mr. Ghalaita was Group Deputy Chief Executive Officer and General Manager, Consumer Banking and Wealth Management at Emirates NBD. He is credited with overseeing the growth of the core Consumer Banking and Wealth Management business at Emirates NBD, following which he was responsible for the planning of the launch of Emirates Islamic Bank and, since his appointment as CEO of Emirates Islamic Bank in 2011, its unprecedented growth marking it as the fastest growing bank in the country. His contribution has been recognized and acknowledged across the industry through multiple awards both locally and internationally, including the recognition of Emirates Islamic Bank as the "Best Islamic Bank" in the U.A.E. Mr. Ghalaita's career spans over 24 years in the industry. Mr. Ghalaita a UAE national, holds a Bachelor of Science and Business Administration degree from University of Arizona, USA.

Mr. Yousef Ali Fadil Bin Fadil
Board Member

Board Member, Al Baraka Islamic Bank, Bahrain, Ajman Bank and Gulfa Mineral Water. Previously General Manager of the Emirates Financial Company and before that Executive Manager for Investment, Dubai Islamic Bank and a number of senior positions at National Bank of Umm Al Qaiwain. Mr. Fadil has also served as Member of the Boards of Directors of several financial institutions including, amongst others, Union Insurance Company, U.A.E., Bahrain Islamic Bank, Bosnia International Bank and Dubai Islamic Insurance Company. He has more than 29 years' experience in the banking field. Mr. Bin Fadil , a UAE national, holds Bachelor's Degree in Mathematics & Computer Science from Gonzaga University, Spokane, Washington State, USA.

Dr. Bassem Awadallah
Board Member

Chief Executive Officer, Tomoh Advisory, consultancy based in Dubai. He currently also serves as a Member of the MENA Advisory Board of Standard Chartered Bank. Previously Dr. Awadallah held a number of positions in Jordan: Economic Secretary to the Prime Minister (1992-1996); Economic Advisor to the Prime Minister (1996-1999); Director of the Economic Department at the Royal Hashemite Court (1999-2001); Minister of Planning and International Cooperation (October 2001-February 2005); Minister of Finance (April 2005-June 2005); Director of the Office of His Majesty King Abdullah II (April 2006-November 2007) and Chief of the Royal Hashemite Court (November 2007-October 2008). Prior to that Dr. Awadallah worked in the investment banking field in the UK. He is the recipient of the Al Hussein Medal for Distinguished Service, the Al Kawkab Decoration of the First Order, and the Al Istiqlal Decoration of the First Order. Awarded "The King Abdullah Bin Abdul Aziz Visiting Fellowship" at the Oxford Centre for Islamic Studies at Oxford University, September 2012. He was visiting Fellow at the Oxford Centre for Islamic Studies at Oxford University, 2010. Also served as Secretary General of the Islamic Chamber of Commerce and Industry 2010-2013. Mr. Awadallah, a Jordanian national, has more than 28 years of diverse experience, holds a Ph.D. and M.Sc. degrees in Economics from the London School of Economics and Political Science, of the University of London, (1985 and 1988).

BOARD OF DIRECTORS (continued)

Mr. Mohyedin Saleh Kamel
Board Member

Deputy Chief Executive Officer for Projects, Dallah Albaraka Holding Company. Previously Chairman of the Board of Directors of Dallah Media Production Company and of Al Rabie Saudi Foods Co. Ltd., Member of the Boards of Directors of Dallah Real Estate investment Company, Egypt, Almaza Real Estate Development Company, Egypt, Jabal Omar Development Company, Al Khozami Company, Saudi Research and Marketing Group, Dallah Health Co., Saudi Fund Equestrian, Okaz Organization for Press and Publication, and Member of the Management Committee of Dallah Al Baraka Holding Co. Mr. Mohyedin Kamel is a past member of the Board of Directors of Jeddah Chamber of Commerce and Industry and is active in public and community work in Saudi Arabia. Mr. Mohyedin Kamel, a Saudi national, has 13 years of varied experience, studied, Economics at the University of San Francisco, USA.

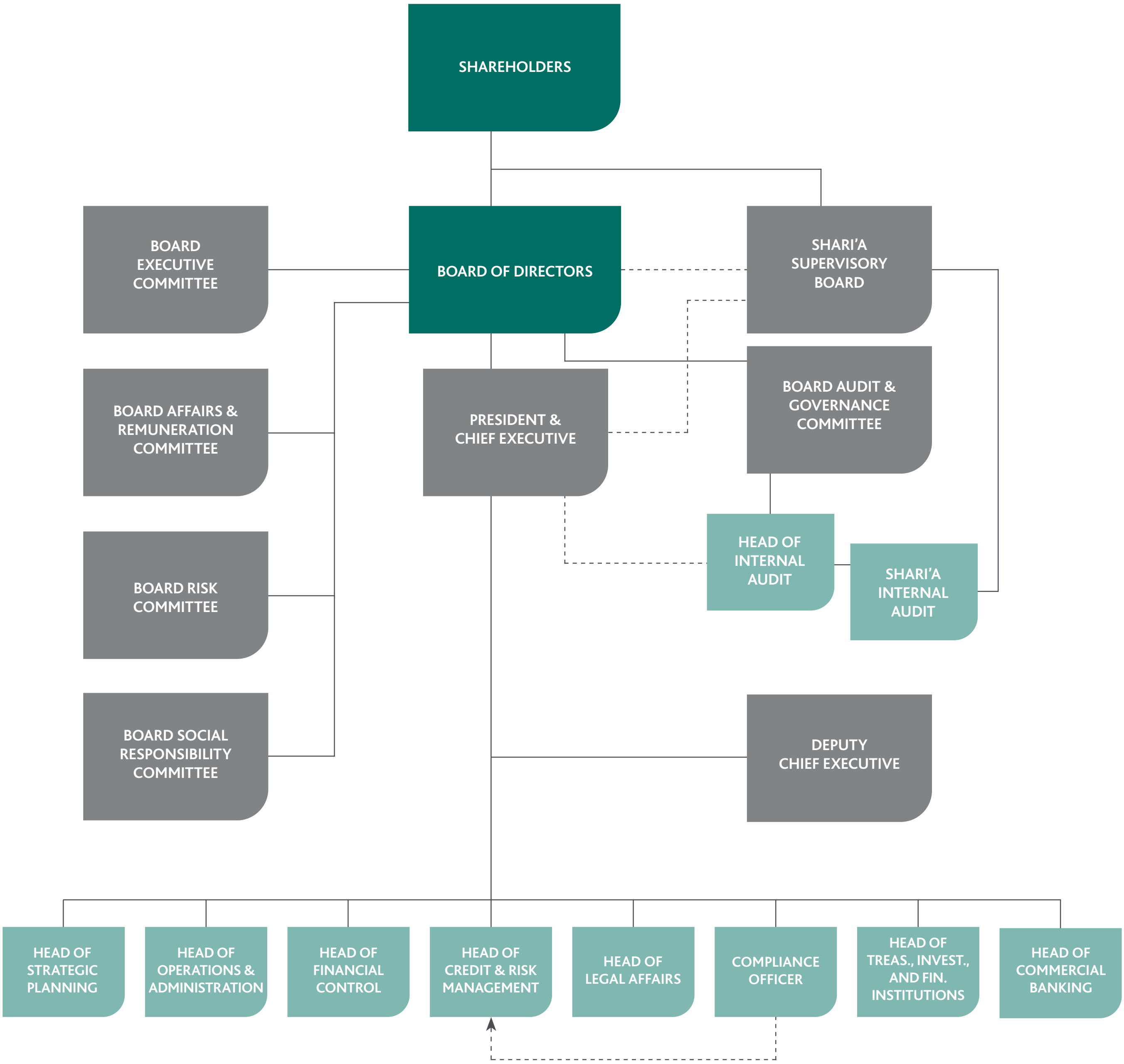
Mr. Fahad Abdullah A. Al-Rajhi
Board Member

Chairman, FAR Venture Holding Company; Member of the Boards of Deutsche Gulf Finance, Resort Cement Co., Najran Cement Co., Bukhait Investments Group, Tabuk Agricultural Development Co. and Al Baraka Turk Participation Bank. Previously Mr. Al-Rajhi was a treasurer in Al-Rajhi Bank between February 1995 and May 2008. He has over 36 years' experience in a variety of business and financial fields. Mr. Al-Rajhi, a Saudi national, holds Bachelor of Science degree in Industrial Management from King Fahad University of Petroleum and Minerals, Saudi Arabia.

Mr. Saud Saleh Al Saleh
Board Member

Chairman, MAAD International. Previously Chairman of SAIB-BNP Paribas Assets Management, Vice Chairman, American Express (Saudi Arabia) Limited (ASAL) and Member of the Boards of Saudi Arabian General Investment Authority (SAGIA), General Organization for Social Insurance (GOSI), The Higher Education Fund and Saline Water Conversion Corporation (SWCC), Saudi Orix Leasing Company (SOLC), Boeing Industrial Technology Group L.P. (BITG), AMLAK International for Real Estate Development and Mortgage Finance and The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (MEDGULF). Mr. AlSaleh's more than 30 years' experience in banking includes 25 years' service with Arab National Bank, Riyadh followed by management positions at The Saudi Investment Bank, Riyadh, culminating in the position of General Manager, which was followed by service as Secretary General of the Supreme Economic Council of the Kingdom of Saudi Arabia. Mr. Al Saleh, a Saudi national, holds a Bachelor of Science degree in Business Administration from Portland State University, Oregon, USA and an M.A. in Economics from The University of Rhode Island, USA.

HEAD OFFICE ORGANISATION CHART



EXECUTIVE MANAGEMENT

Mr. Adnan Ahmed Yousif
President & Chief Executive

Mr. Yousif has more than 39 years' international banking experience. He has been a Director of ABG since inception and the President & Chief Executive since August 2004. He is the Chairman of Jordan Islamic Bank, Banque Al Baraka D'Algérie, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd., South Africa, Al Baraka Bank Egypt, Al Baraka Bank Lebanon, Al Baraka Bank Syria, Al Baraka Bank Sudan and Al Baraka Bank (Pakistan) Ltd, Vice Chairman of Al Baraka Islamic Bank, Bahrain and Director of Al Baraka Bank Tunisia and Itqan Capital.

Mr. Yousif holds a Master in Business Administration degree from University of Hull, UK.

Mr. Majeed H. Alawi
Executive Vice President - Head of Internal Audit

Mr. Alawi has over 34 years of international banking experience, mainly in audit. He reports directly to the Audit and Governance Committee of the Board of ABG, for whom he also acts as Secretary; he also participates as observer member in Audit Committee meetings of all ABG's subsidiaries. The audit function also includes the review of controls over the IT system and controls to ensure Shari'a compliance. Previously he was audit team leader at Arab Banking Corporation (B.S.C.)'s Internal Audit Department, prior to which he was Head of Operations at Banque National de Paris in Bahrain.

Mr. Alawi is an FCCA – Fellow of the Chartered Association of Certified Accountants from UK (1980).

Mr. K. Krishnamoorthy

Executive Vice President - Head of Strategic Planning

Mr. Krishnamoorthy has over 38 years' experience in financial and management reporting, corporate and structured finance, credit, strategic planning, project management, equity research, fund management and administration. Before joining ABG in 2004 he headed the worldwide banking solutions business of a major Canadian IT solutions company in Toronto, Canada, to which he moved after 2 years as a partner in a regional investment bank in the Gulf. Prior to that, following an initial career in the accountancy field in India and Bahrain, he moved to the investment banking subsidiary of Arab Banking Corporation (B.S.C.), where he spent 11 years before transferring to the parent bank's Treasury Department to manage its mutual fund investment portfolio and Treasury Mid-Office.

Mr. Krishnamoorthy is an ACA – Associate of the Institute of Chartered Accountants of India - and holds a B.Com. degree from Osmania University, India.

Mr. Abdulrahman Shehab

Executive Vice President - Head of Operations and Administration

Mr. Shehab has over 41 years of banking experience with various international financial institutions, both Islamic and conventional. He is a Member of the Boards of Banque Al Baraka D'Algérie, Algeria and Al Baraka Bank (Pakistan) Ltd., Pakistan. Before joining ABG in 2006 he was Assistant Chief Executive Officer – Operations at Bahrain Islamic Bank, which he joined after a successful career at Faysal Islamic Bank of Bahrain (now Ithmaar Bank), prior to which he worked at Bahrain Middle East Bank and the Bahrain offices of American Express Bank, Bank of America and Chase Manhattan Bank, having commenced his career with Habib Bank Ltd. in 1973.

Mr. Shehab holds a Master of Business Administration degree from Hull University, UK.

EXECUTIVE MANAGEMENT (continued)

Mr. Hamad Abdulla Ali Eqab
Senior Vice President - Head of Financial Control

Mr. Eqab has over 21 years' experience in financial control and auditing. He is Vice Chairman of the Accounting and Auditing Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is also a Member of the Boards of Al Baraka Turk Participation Bank, Jordan Islamic Bank and Banque Al Baraka D'Algérie, Algeria; in addition he serves as Chairman of the Audit Committee of Al Baraka Turk Participation Bank, as well as being a member of the Audit Committees of Jordan Islamic Bank and Banque Al Baraka D'Algérie and a member of the Social Responsibility Committee of Jordan Islamic Bank. Before joining ABG in February 2005 he worked at Shamil Bank as Senior Manager, Internal Audit. Prior to this he was a member of the Audit team at Arthur Andersen.

Mr. Eqab is a Certified Public Accountant (CPA) and a Chartered Global Management Accountant (CGMA).

Mr. Jozsef Peter Szalay
Senior Vice President - Head of Credit and Risk Management

Mr. Szalay has over 40 years' international banking experience encompassing credit and risk management, corporate banking and trade finance. Mr. Szalay has been a member of ABG's Executive Management team since September 2006. Previously he worked with Gulf International Bank B.S.C., which he joined in 1979 as Regional Marketing and Credit Officer for Central Europe, based in London, UK, subsequently working in Credit and Business Development before being appointed Chief Credit Officer and Member of the Group Risk Committee of the bank in Bahrain. Prior to that he worked at Bank of Montreal, Canada, where he first commenced his career in international banking, later to be appointed its Middle East Representative, initially based in Beirut, Lebanon and thereafter in London, UK.

Mr. Szalay holds an M.A. (Econ.) from University of Budapest, a Banking Certificate from the Institute of Canadian Bankers and is a graduate of the Advanced Management Program at INSEAD France.

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Mr. Salah Othman Abuzaid
Senior Vice President - Head of Legal Affairs

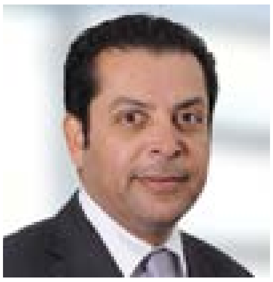
Mr. Abuzaid has over 30 years' professional experience as a judge, a practicing advocate and legal consultant to a number of local, regional and international law firms. He also serves as Secretary to the Board of Directors of ABG and three of its Board Committees. He moved to ABG as First Vice President - Head of Legal Affairs & Compliance, from which position he was subsequently appointed Senior Vice President. Before joining ABG he worked at Al Baraka Islamic Bank as Manager, Legal Affairs, prior to which he was based in the Sultanate of Oman from 2001 where he worked at an Omani law firm associated with an international law firm and where he was admitted to practice before all Omani courts, before which he had 20 years working in legal practice in various capacities in Sudan.

Mr. Abuzaid has an LLB degree from the Faculty of Law, University of Khartoum, Sudan.

Mr. Mohammed A. El Qaq
Senior Vice President - Head of Commercial Banking

Mr. El Qaq has over 23 years of experience in Commercial Banking. Before joining ABG in August 2014, Mr. El Qaq was General Manager, International Banking & Syndications at Commercial Bank of Kuwait, Kuwait, prior to which he was a First Vice President at Arab Banking Corporation (B.S.C.), Bahrain, Deputy Chief Executive & Head of Corporate Banking Group at Arab Banking Corporation (Jordan), in addition to serving as Member of the Board of Directors of ABC Islamic Bank 2009-2012. Having commenced his career with the Housing Bank for Trade and Finance, Jordan in 1990,he subsequently worked with Arab Bank at its Head Office, Jordan and Qatar National Bank in Qatar.

Mr. El Qaq holds a Master of Business Administration degree from Howard University, USA.



Mr. Khalid Al Qattan
First Vice President - Head of Treasury, Investments and Financial Institutions

Mr. Al Qattan has over 29 years of banking experience in Treasury and Operations. Before joining ABG in June 2007 as Vice President - subsequently appointed to his present post in 2008 - he was Treasury Manager at Eskan Bank, Bahrain where he was responsible for the overall liquidity management of the bank and also served on several management committees. Prior to that he worked at Shamil Bank, Bahrain where he was appointed Manager of the bank's Treasury operations, and at United Gulf Bank, Bahrain.

Mr. Al Qattan holds a Master of Business Administration degree from the University of Hull, UK.

DIRECTORS' REPORT

Saleh Abdullah Kamel
Chairman

2014 REVIEW

Our units did well to maintain their record of consistent growth and to return positive results, despite a challenging economic environment in most cases.

The Group's share of total income from jointly financed contracts and investments, including its share as Mudarib, increased by 11% over 2013 to $477 million. The Group's Mudarib share from managing the off-balance sheet equity of investment account holders and incentive fee increased by more than 369% to $14 million and its revenue from banking services also increased, by 4% to $187 million, offsetting a reduction in other operating income while the income from self financed contracts and investments remained unchanged from 2013 at $236 million. The total operating income was $918 million, 1% above that for the previous year. Total operating expenses were 7% higher at $521 million, resulting in a net operating income of $396 million, 6% less than in 2013. After allocations for prudential provisions, impairments and taxation, however, the net income was $275 million, 7% more than the net income for 2013.

A 12% increase in the customer accounts base, to $19.86 billion, together with other liabilities including long term borrowing at the subsidiary level, spread across Sukuk, Murabaha and syndicated borrowing, were responsible for funding a 12% expansion in the Group's total assets to $23.46 billion. Our Units in Turkey and Pakistan raised funds from the Sukuk markets to diversify their resources – these initiatives were met with a good response from investors. The growth in the consolidated asset base was spread broadly across the board with the exception of trading securities and intangible and other assets.

In light of the Group's performance in 2014, the Board of Directors has recommended a cash dividend distribution to the shareholders of 3.0% of the paid up capital, amounting to $32.82 million, after a transfer of $15.17 million to the legal reserve, with the remainder of the net income, amounting to $103.74 million, being allocated to retained earnings. The Board has also recommended a bonus dividend of 1 share for every 50 shares held, to be allocated from retained earnings and amounting to $21.88 million. The Board has further recommended a remuneration distribution of $1.50 million, to be paid following the approval of shareholders at the Annual General Meeting.

Ownership of shares in ABG by Board Members and Executive Management (with the exception of that of the Chairman) is not material and no major trading of such shares took place during 2014. Details of shares held by Directors and members of the Executive Management are provided in the Notes to the Consolidated Financial Statements.

2015 AND BEYOND

Once again we must extend congratulations to each and every one of our operating units which, despite difficult times, were able to demonstrate both individually and collectively the capability to maintain consistent and increasing profitability within a stable and conservatively managed growth strategy.

As we have said many times before, it is our policy to cultivate a sound risk management and corporate governance culture across the whole Group and to make the ABG name synonymous with the values associated with that culture. To that end, we view it as integral to our attitude to our business that not only should strong internal controls and risk management processes form one of the foundation stones of our Group but that the search for even better and more effective controls and processes should be a continuous process.

At the same time as we continue to build for a strong and fundamentally sound institution, we also seek to deliver to our shareholders consistent and increasing returns by expanding, in each of the countries where we operate, our customer base, our delivery capabilities and our products and services. Our units continue to develop new and innovative Shari'a compliant products and state of the art IT enabled services to meet the changing needs of our customers for better savings, investment and financing programmes and for better and more efficient services suitable for the modern world.

I should like in conclusion to record, on behalf of the Board and Executive Management, our thanks to our Shari'a Supervisory Board for its assistance in the past year. Our appreciation is also due to the regulatory authorities in all the countries where the Group is represented, with particular thanks to the Central Bank of Bahrain and the Ministry of Industry and Commerce of Bahrain, for their wise counsel and guidance in 2014.

For and on behalf of the Board of Directors

Saleh Abdullah Kamel
Chairman

"Our units did well to maintain their record of consistent growth, despite a challenging environment."


alBara

AL BARAKA TÜRK PARTICIPATION BANK HEADQUARTERS

COUNTRY: REPUBLIC OF TURKEY
OPENED IN 2011

PRESIDENT & CHIEF EXECUTIVE'S REPORT

Adnan Ahmed Yousif
President &
Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

The diverse economies of the countries in which ABG operates exhibited broadly similar behavioural characteristics in the year 2014. Whilst remaining challenging, under these conditions ABG continued to prosper and to show growth.

ABG's consolidated total assets grew by 12% in 2014 to $23.46 billion of which the main contributor was the 15% expansion to $17.62 billion in its total financings and investments. While half of that growth was in the Murabaha receivables, which rose by $1.13 billion or 11%, healthy growth was also evident in the Ijara Muntahia Bittamleek portfolio, which expanded by 59% to $1.49 billion, the Mudaraba financing whose balances rose by 27% to $1.03 billion and in the Group's non-trading investments which ended the year at $2.35 billion, 7% above the 2013 level. Most of the other categories in fact also exhibited growth, although to a somewhat lesser degree.

Total financings and investments continued to constitute the greatest part of total assets, although with the actual proportion increasing slightly to 75%. Murabaha receivables equalled 67% of financings and investments, followed by non-trading investments which constituted 13% and Ijarah Muntahia Bittamleek 8%. Mudaraba, Musharaka, Salam and investments in properties comprised the majority of the remainder.

Customer accounts, including Equity of Investment Account Holders (EIAH), grew by a healthy 12%, with the majority of growth coming from a 14% increase in the largest component equity of IAH. Customers' current and other accounts grew by 6% while interbank deposits grew by 11%. Aggregate off-balance sheet EIAH grew by 19% to $848 million, while contingents and commitments increased by 6% to $5.30 billion.

The Group's total operating income increased only slightly, by 1% to $918 million. Despite a rise of 11% in the Group's share of income from joint financings and investments, including its share as Mudarib, a 369% increase in its Mudarib share from managing off-balance sheet equity of investment account holders and incentive fee and a 4% increase in revenue from banking services, these advances were mostly offset by reduced other operating income which fell by 43% respectively. After operating expenses, which grew by 7% to $521 million, the net operating income was 6% less at $396 million. However, significantly lower allocations for provisions, which more than offset increased taxation, produced a net income of $275 million, 7% above the net income earned in 2013.

On other matters, in 2014 the Islamic International Rating Agency (IIRA) and Dagong Global Credit Rating Company Limited jointly assigned a BBB+ (long term) / A3 (short term) investment grade rating for ABG. In addition IIRA assigned an overall Fiduciary score indicating strong fiduciary standards and well developed governance structure wherein the rights of various stakeholders are well defined and protected. ABG's Shari'a Governance, Corporate Governance and Asset Management were also rated excellent by IIRA. ABG is one of the first Islamic institutions in Bahrain to be rated by IIRA and Dagong.

(All figures in US Dollars unless otherwise stated)

ABG once again evidenced its commitment to the development of the Islamic Finance industry by its sponsorship of the Al Baraka 35th Symposium for the Islamic Economy, held in Jeddah, Saudi Arabia in July. This year's Symposium discussed issues relating to liquidity management, Waqf and Awqaf, and the State's role in the economy. This annual gathering performs a unique role, acting as a 'think tank' for the industry and creating a forum for:

- Spreading knowledge of Islamic jurisdictions (Fiqh) with regard to contemporary economic and financial transactions;
- Considering problems faced by Islamic banks in the application of different modes of Islamic finance and exchanging views of scholars;
- Linking Fiqh to contemporary economic issues and supporting Islamic economic theory to confront competing theories;
- Enriching banking Fiqh and the Islamic Economic Library with profound discussion resulting in the issue of new Fatwas by renowned scholars;
- Meeting the needs of those concerned with Islamic banking Fiqh worldwide;
- Fulfilling the requirements of all Al Baraka units and other Islamic financial institutions in the field of Islamic banking theory and its applications;
- Linking the financing transactions of Fiqh with the principles of economics;
- Providing scientific reference for research, Shari'a committees and Shari'a Fatwas within the framework of Islamic banking; and
- Developing Islamic financing instruments which conform to technical and Shari'a standards.

Other Islamic conferences sponsored by ABG in collaboration with a number of international institutions during the year included the 5th Annual World Islamic Banking Conference: Asia Summit in Singapore; the 21st World Islamic Banking Conference in Bahrain and the 6th International Annual Forum of Legal Experts in the Islamic Finance Industry, in Dubai.

The Group was again honoured in the year to receive from Global Finance magazine its 'Best Islamic Financial Institution in Middle East/North Africa' award for its prominent role in the Islamic banking sector, ability to achieve consistent growth and for its prominent role in the Islamic banking sector, ability to achieve consistent growth in the future and meeting high professional standards in terms of the quality of products and service offered to its clients, originality and innovation in its customer service, continued development and innovation in banking operations and other criteria including strategic relationships, geographic reach, profitability and robustness of financial position.

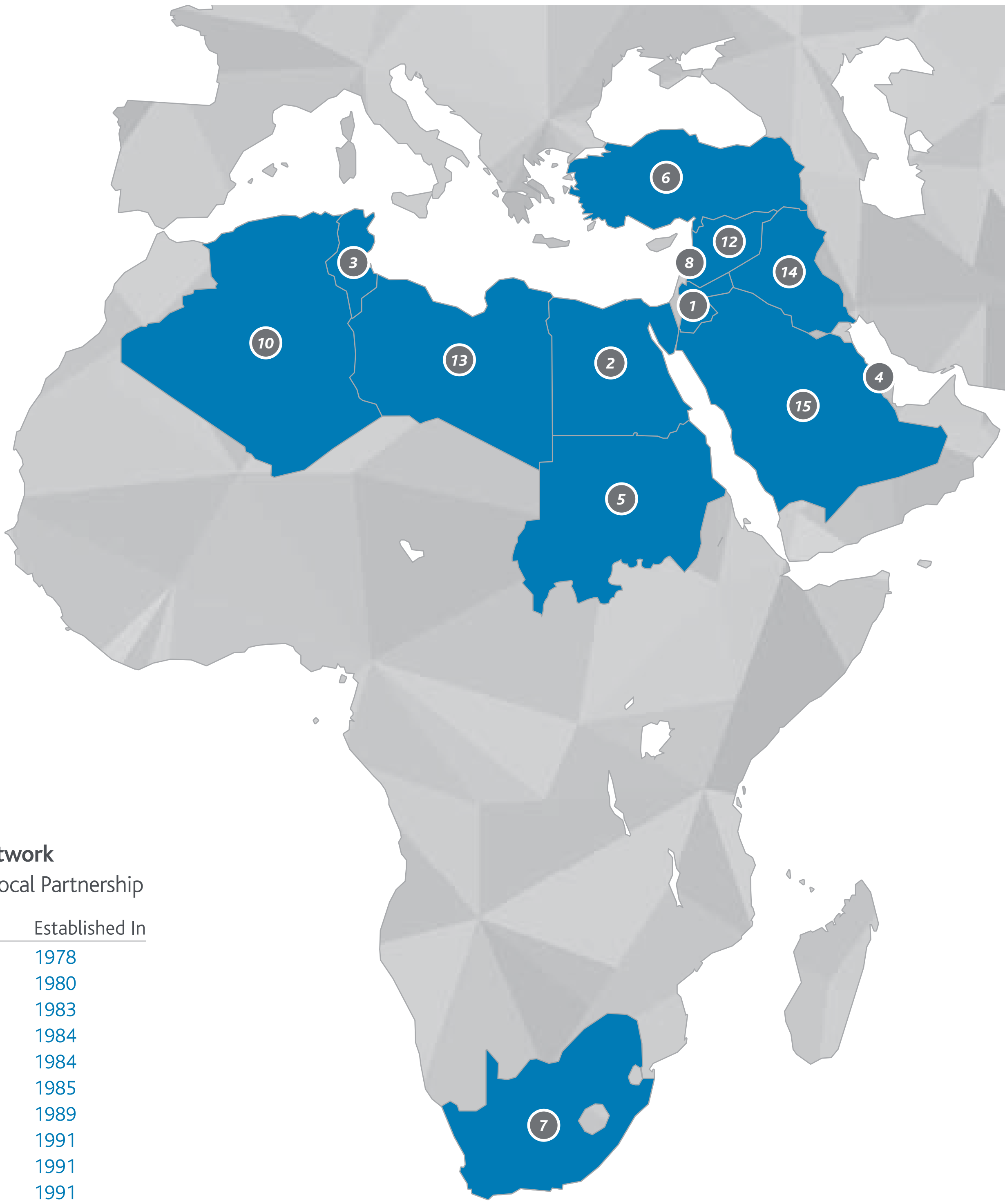
"The diverse economies of the countries in which ABG operates exhibited challenging characteristics and under these conditions ABG continued to show growth."

REVIEW OF UNITS

The following is a brief review of each of our subsidiaries, their activities and performance over the past year. All figures are stated in the US dollar equivalents of the audited local currency-based balance sheets and income statements, prepared in accordance with the Islamic Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (and IFRS, where AAOIFI was silent) and without any Group level consolidation adjustments.

Each unit is managed by its respective Board of Directors, whose reporting lines are ultimately to the Parent, ABG, but whose decision-making is decentralised within the Group's overall strategic direction and in full compliance with the regulations of the respective countries' Central Banks.

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)



Al Baraka Global Network

The Global Vision of Local Partnership

Country	Established In	
01. Jordan	1978	
02. Egypt	1980	
03. Tunisia	1983	
04. Bahrain	1984	
05. Sudan	1984	
06. Turkey	1985	
07. South Africa	1989	
08. Lebanon	1991	
09. Pakistan	1991	
10. Algeria	1991	
11. Indonesia	2008	Representative Office
12. Syria	2009	
13. Libya	2011	Representative Office
14. Iraq	2011	Branch of Al Baraka Turk Participation Bank
15. Saudi Arabia	2007	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11

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA TÜRK PARTICIPATION BANK

Founded 1985

Increased domestic inflation – reaching 8.9% by year-end – and a stubbornly high current account deficit equivalent to 5.4% of GDP forced Turkish interest rates to continue their rise over the course of 2014, with the 3-month rate ending at over 9.0%. Partly as a result of these factors, for the third year running the economy grew by only a little above 3.0%, an historically low level for the country.

Following on the success of its $200 million 10-year Tier 2 capital Sukuk issue in 2013, Al Baraka Turkey successfully completed a $350 million Sukuk, in the form of Sukuk Al Wakala-Murabaha, which received an excellent response being oversubscribed more than twice. The 5-year issue was made through the bank's leasing subsidiary, rated BB by Standard & Poor's and listed on the Irish Stock Exchange.

Growth was maintained at Al Baraka Turkey as its total assets rose by 20% to $9.75 billion or 32% in Turkish Lira terms. This rise was matched by a 20% increase in total financings and investments where, as in prior years, the majority of the growth was seen in the mainstay Murabaha financings where the sales receivables grew by 17% to reach $6.53 billion at the end of the year, with substantial increases in the Musharaka and Ijarah Muntahia Bittamleek portfolios (by a factor of 8 in the latter case) outweighing reduced non-trading investments. The growth was funded partly by a 16% increase in customer accounts including Equity of Investment Account Holders (EIAH), the balance coming from the proceeds of the bank's successful Sukuk issues and its medium-term syndicated funding.

Once again the bank's total operating income grew, although only in Turkish Lira terms, where it rose by 12%; however, due to the fall in the value of the Lira against the dollar in 2014, the operating result of $393 million represented a 2% reduction on the previous year. Growth reflected the general business expansion but only in part: while its total income from jointly financed accounts and investments grew by 24%, resulting in its own share from this source, including its income as Mudarib, rising by 17% to $136 million, its overall income in dollar terms from its own sales and investments at $161 million was 16% below 2013's and increased income from banking services was offset by a broadly equal fall in other operating income. After deduction of operating expenses, which were 8% above those of the year before and generally spread across the board, the net operating income produced was 12% lower at $178 million. Following allocation of provisions and taxation charge the bank recorded a net profit of $113 million, 7% below that of 2013. In Turkish Lira, however, the net income was higher than the previous year by 6%.

With the addition of 35 new branches to its network, Al Baraka Turkey ended the year with a 202-strong branch network. The bank also maintained its ATM expansion programme, installing 32 more across the country to bring the total network to 202 by year-end. It continued to introduce substantial additions to its already extensive and imaginative product range, including new accounts designed to finance weddings, home purchase, house rent, sale and leaseback finance, merchant loan support and supply chain financing, in addition to gold accumulation accounts, physical gold dealing and several additional tailored credit cards, not to mention a range of financial instruments specifically benefiting SMEs.

Al Baraka Türk Participation Bank

Al Baraka Türk Participation Bank was established in 1985 and started operations in the same year. Al Baraka Türk currently renders its services through its 202 branches including 1 branch in Iraq, 82 of which are in Istanbul and 119 in the leading industrial and commercial cities.

Unit Head: Dr. Fahrettin Yahsi

Title: General Manager & Board Member

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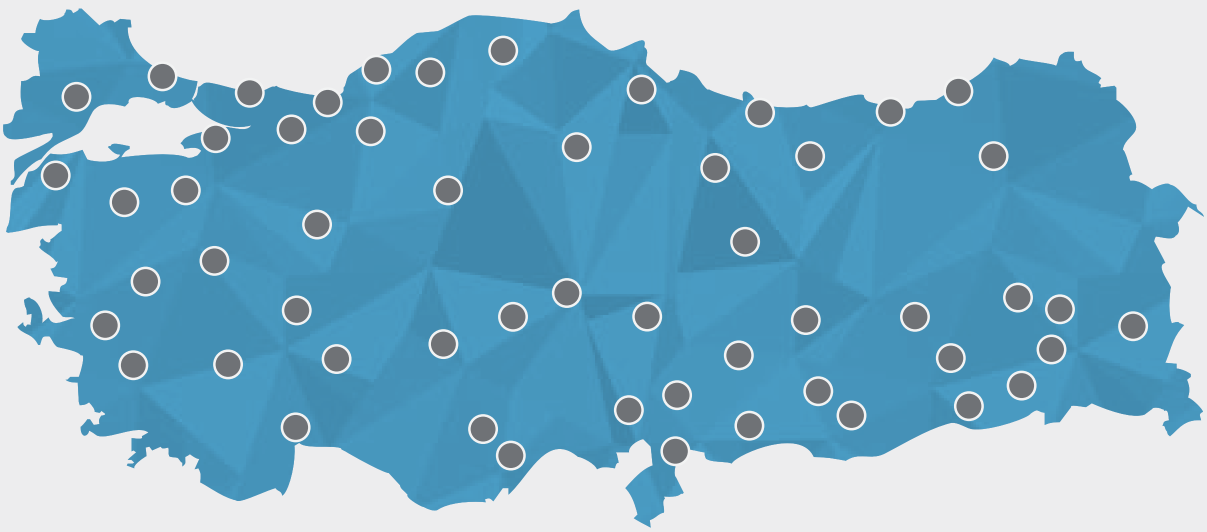

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

JORDAN ISLAMIC BANK

Founded 1978

Jordan's economy remained steady over 2014, with an estimated 3.2% growth rate unchanged from 2013. The rate of inflation moderated to 3.0%, down from 5.9% the year before. The current account deficit however remained high at -7.9% of GDP, as a reduced inflow of foreign investment and a fall in trade with other Arab countries took their toll. The reduced fiscal deficit, now equal to -6.8% of GDP, however gave some reason for confidence in the government's determination to manage its affairs. With the passing of a new Sukuk Law the path is now open to both government and the private sector to commence the issuance of Sukuk, giving some additional access to the funding market.

At Jordan Islamic Bank (Al Baraka Jordan) total assets grew by 8% over the year to reach $5.01 billion. Some of the growth arose out of a 4% increase in the bank's total financings and investments but the majority came from a 19% increase in liquid assets. Customer accounts including EIAH grew by 8% to $4.51 billion.

Total income from jointly financed contracts and investments was similar to 2013 at $235 million, reflecting the small overall rise in the bank's portfolios. After accounting to the EIAH investors for their share, the share remaining to the bank, even including its share as Mudarib, weakened by 4% to $132 million. Although other sources of income were mostly slightly up overall – with a 157% increase in Mudarib fees from off-balance sheet equity of IAH management being a notable exception - this was not sufficient to compensate for the lower income from the joint financings and so the total operating income was similar to 2013 at $163 million. After deducting operating expenses the net operating income was $90 million, 2% lower than 2013 and the net income after accounting for provisions and taxation was $64 million, unchanged from that of 2013.

Again building on its existing wide product range, the bank introduced a number of new products and services during the year. In addition to new Istisna'a products it unveiled facilities designed to assist in payment of medical treatment based on a forward Ijara concept, Musawameh sale and Shamsona, for financing power generation systems. To its telephone banking service it added interactive voice response, while Internet banking services were extended to its mobile banking platform. It once again expanded its branch network, opening 5 new offices to bring the total up to 85 including cash offices; at the same time its network of ATMs grew from 134 to 144 machines. Its aim under its 5-year rolling plan is to expand its network to 113 offices and 300 ATMs by 2019.

During 2014 Al Baraka Jordan received many awards from a variety of respected institutions: it was voted 'Best Islamic Bank in Jordan' by The Banker magazine; 'Best Islamic Financial Institution in Jordan' for the sixth year running by Global Finance magazine; 'Best Islamic Bank in Jordan' for the fourth year running by World Finance magazine and 'Best Islamic Bank in Jordan' by EMEA Finance magazine and certificates and medals from Tatweej Academy for Excellence for wise leadership in the Arab World for 2013.

Jordan Islamic Bank

Jordan Islamic Bank was the first Islamic bank in Jordan and was established in 1978 to carry on all types of financing, banking and investment activities in compliance with the provisions of the glorious Islamic Shari'a. The bank offers its banking, investment and financing services through its 85 branches and cash offices in addition to a Bonded Office, distributed throughout the Kingdom of Jordan.

Unit Head: Mr. Musa Shihadeh
Title: Vice Chairman & CEO

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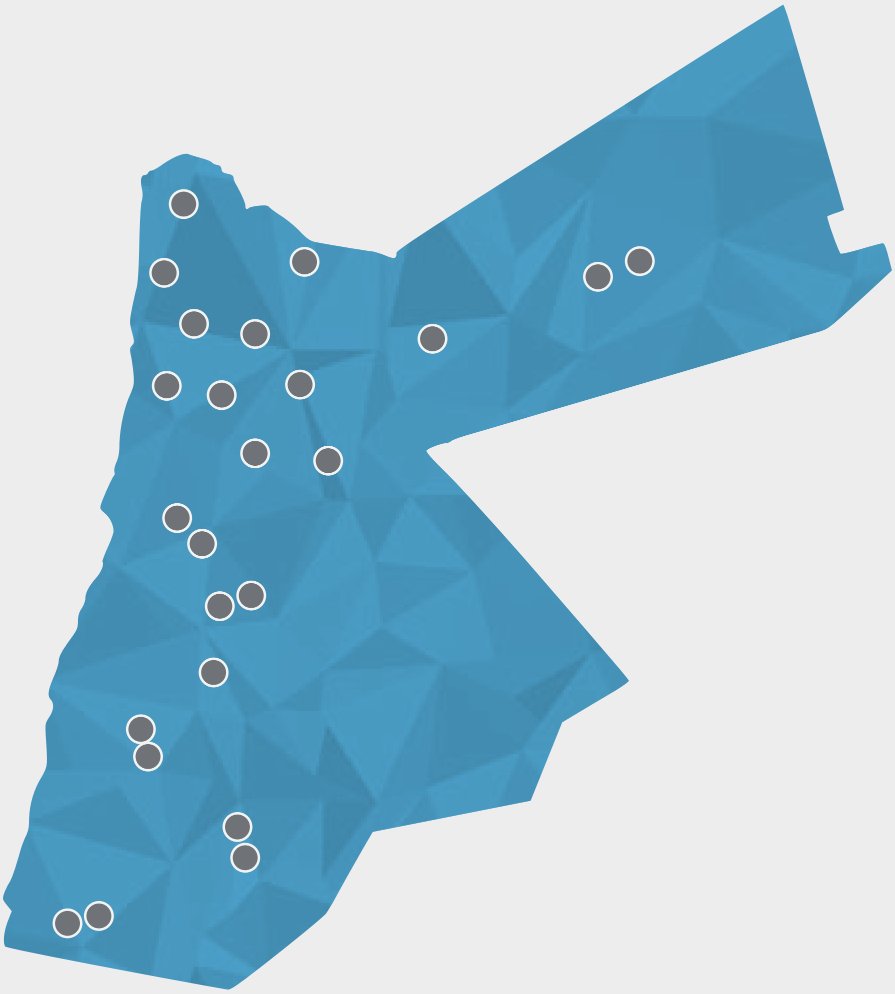
jordanislamicbank.com



PRESIDENT & CHIEF EXECUTIVE’S REPORT (continued)

AL BARAKA BANK EGYPT

Founded 1980

Despite its difficulties, Egypt’s economy managed to grow by some 2.2% in 2014, about the same as that of 2013. The current account deficit similarly stayed within moderate levels at -3.0% of GDP although the rate of inflation remained high at 10.0% over the calendar year. The government has embarked on a programme of bold reforms targeting the economy’s overburdening subsidies, beginning with cuts of up to one-thirds in 2014 but expected to be followed up with almost all subsidies being removed gradually over time. Tourism, one of the country’s chief sources of foreign exchange revenues along with those earned from Suez Canal operations, is meanwhile on the rise amidst signs of returning confidence in the new government’s rule.

At Al Baraka Egypt, total assets rose by 19% to $3.11 billion as financings and investments grew by 19% to $2.71 billion, mostly on account of a 143% increase in Mudaraba outstandings with a 12% rise in Murabaha sales receivables and a 10% increase in non-trading investments also contributing to the overall expansion. This growth was funded wholly by total customer accounts including equity of IAH which rose by 18% to $2.78 billion.

The total income from joint financings and investments grew by 14% to $253 million which, after distribution to the EIAH investors of their share, resulted in a 21% rise in the bank’s share including its Mudarib fee, to $102 million. A 13% rise in its income from banking services led to a total operating income of $121 million, a healthy 17% up on 2013 and which, after applying 13% higher operating expenses, led to a 20% higher net operating income of $70 million. After accounting for increased provisions and taxation the net income for the year was $32 million, 30% higher above that earned in 2013.

Amongst the new products introduced in 2014 by Al Baraka Egypt was the first Islamic credit card to be brought to the Egyptian market, the Al Baraka Bronze Card. The bank has plans to roll out its Silver and Gold Cards shortly. The bank opened 2 new branches, giving it a reach of 28 branches in its network, while 2 more branches are being readied for opening in 2015 as it progresses towards its target of a 40-branch network by 2019.

Al Baraka Egypt was again honoured by several awards in the year, including the ‘European Award for Best Practices’ from the European Society for Quality Research (ESQR) and the ‘Five Continents Award for Excellence and Quality’ by the prestigious European Foundation Other Ways Management Association Club based in France.

Al Baraka Bank Egypt

Al Baraka Bank Egypt commenced its activities in accordance with Shari'a principles over 25 years ago and has grown as an Islamic institution to become one of the foremost in the Egyptian market. It provides a variety of services, products and savings deposit options to suit different requirements and financing programmes to meet the requirements of various sectors of the Egyptian market, in addition to credit facilities for companies and joint financings for large and important national projects. The bank currently has 28 branches and 4 foreign exchange offices, spread across the major Egyptian cities.

Unit Head: Mr. Ashraf El Ghamrawy
Title: Vice Chairman & CEO

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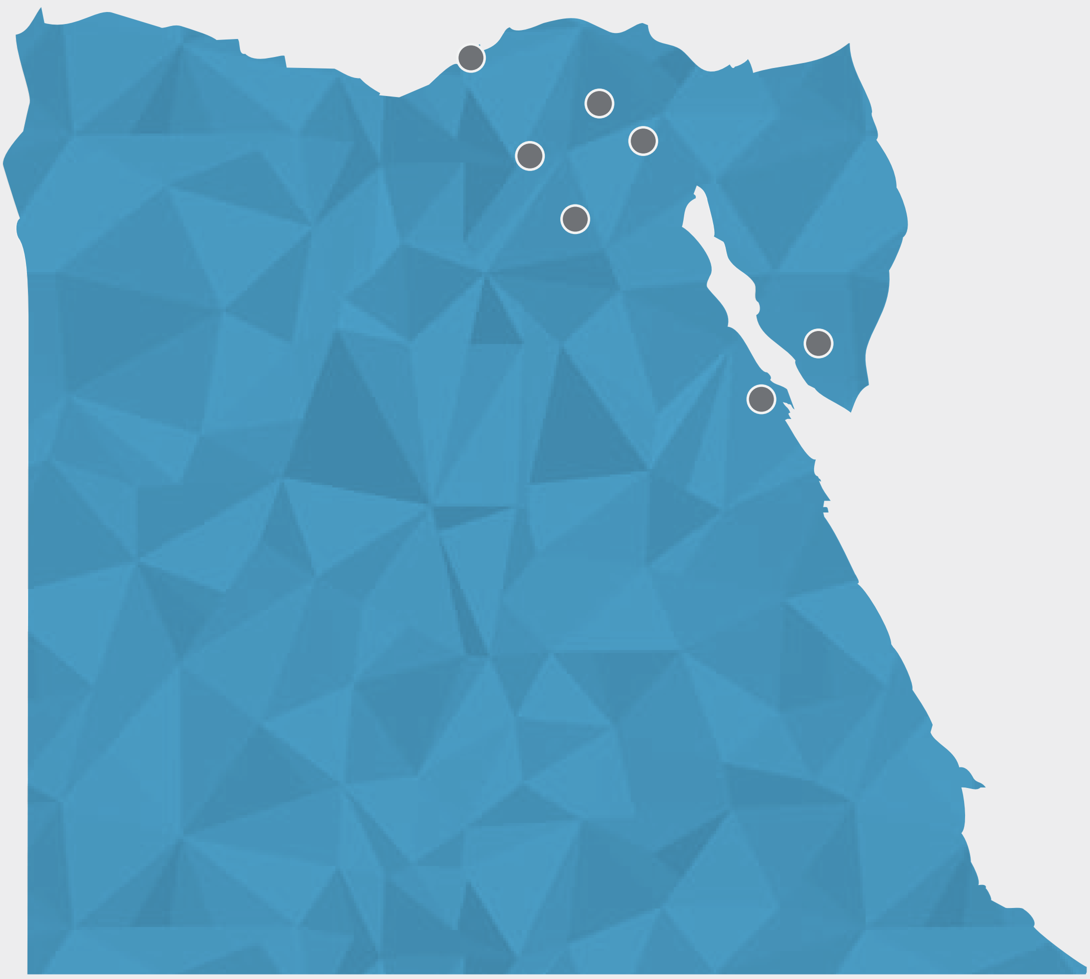

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

BANQUE AL BARAKA D'ALGERIE S.P.A.

Founded 1991

In 2014 the Algerian economy's growth rate declined slightly to 2.9% from around 3.0% in 2013. Consumer price inflation continued to be well controlled, falling to 2.9% from 3.9% the previous year. The current account deficit is estimated to have been -2.5% of GDP while the fiscal deficit was -5.8% of GDP.

Under President Adelaziz Bouteflika, the government is determined to maintain the long term strategy of investing in non-hydrocarbon projects in an effort to diversify the economy and address the high rate of unemployment. The economy is expected to grow on average by 3.3% per annum under the current 5-year plan, on the back of rising public investment and gas production.

The Central Bank meanwhile has increased the banks' minimum capital adequacy ratio to 12% from 8%, at the same time refining the composition of equity in the computation, reducing the limit on concentrations to a bank's aggregate major clients and tightening the regulations on classification and provisioning of loans.

While total assets at Al Baraka Algeria expanded by 6% in local currency terms, in dollar terms they fell by 6%, to $1.84 billion, in consequence of the decline of the Algerian Dinar against the dollar. However, as total financings and investments actually rose by 15%, to $0.93 billion, the overall fall in assets was reflected primarily via a reallocation of liquid assets towards the business activities of the bank. The increase in financings and investments was spread broadly across its product base, with Ijarah Muntahia Bittamleek contributing the most in absolute terms as the portfolio grew by over $78 million, followed by Salam and Murabaha sales receivables. Funding sources remained stable, with total customer accounts including EIAH exhibiting zero growth in aggregate notwithstanding an 11% increase in equity of IAH, but declining by some 11% in dollar terms.

Reflecting the portfolio growth, its total income from joint financings and investments rose by 18% to $70 million which, after accounting to the EIAH investors for their share and including the bank's share as Mudarib, resulted in a 23% higher income of $46 million. However, revenues from banking services and other operating income were 27% lower than in 2013 at $47 million, producing a total operating income of $93 million, 9% below the previous year. Despite somewhat lower operating expenses the net operating income was 7% lower at $59 million which, after accounting for higher provisions write-back and lower taxation than in the previous year, produced a net income 4% above the previous year at $53 million.

Al Baraka Algeria continued to expand its branch network with the opening of 2 new branches so that by the close of the year the network strength stood at 28 offices in all. Under its rolling 5-year strategy it plans to open a further 3 branches in 2015, maintaining that annual pace with the aim of reaching a total network of 50 by 2019. The bank intends to add Ijara products to its existing range in 2015 and, on the services front, to introduce an International Card for use abroad by its customers, together with e-banking services and an expansion of the SMS service successfully launched in 2014.

Banque Al Baraka D'Algerie S.P.A.

Banque Al Baraka D'Algerie was incorporated in May 1991 as the first Islamic Bank and operates under a commercial banking licence issued by the Bank of Algeria. The main activities of the bank are retail and commercial banking. The Bank operates 28 branches.

Unit Head: Mr. Mohamed Seddik Hafid
Title: Board Member & General Manager

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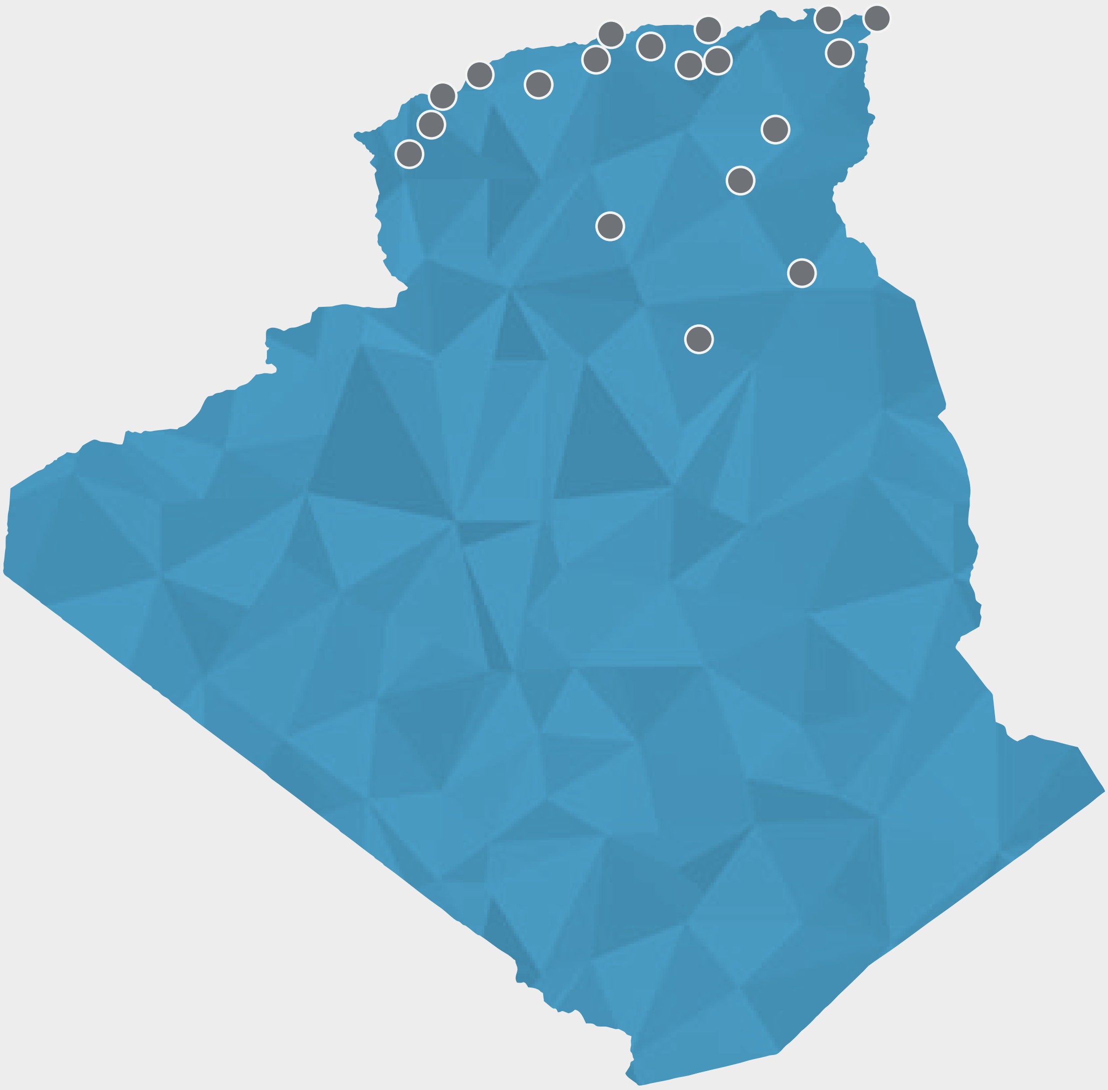

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA ISLAMIC BANK B.S.C. (c) – BAHRAIN

Founded 1984

The Bahrain economy continued to grow by a steady 4.3% in 2014. The current account surplus remained healthy at 7.8% of GDP although the budget deficit continued relatively high at -5.0% of GDP. The rate of inflation was stable at 2.6%.

Al Baraka Islamic Bank (Al Baraka Bahrain) operates in Bahrain and via its subsidiary in Pakistan which, through a combination of organic growth and merger with a local bank in 2010, is now the second largest Islamic retail banking institution in Pakistan.

In Bahrain, the bank's total assets continued to grow steadily, reaching $0.96 billion at the end of 2014. As usual, most of the growth was seen in the financings and investments portfolios, with lower Murabaha sales receivables, Mudaraba and Musharaka balances being offset by strong expansion in the Ijarah Muntahia Bittamleek portfolio and in non-trading investments, which grew by 88% and 98% respectively. The net asset growth was funded by a 15% increase in total customer accounts including EIAH, which had reached $775 million by year-end.

Despite the portfolio growth, the total income from joint financings and investments fell by 7% to reach $23 million and, after accounting to the EIAH investors for their share, the bank's share including that as Mudarib was 24% lower than in 2013 at $9 million. However, income from its own financings and investments was 105% higher at $7 million and, with other income declining only marginally, the total operating income generated was $21 million, 4% above the previous year. With a 10% increase in operating expenses, however, the result was a small net operating loss and, after accounting for a small provisions write back, the net position for the year was a marginal income.

To its extensive range of products and services developed over the years, in 2014 Al Baraka Bahrain added its 'Al Barakat' product (investment account with prizes) which proved to be very popular, in addition to 'Wakala' financing and borrowing accounts, a children's education Bancassurance product and a Takaful Bancassurance range. At the end of the year it launched its SME financing product through its new 'Tamkeen Financing Scheme' programme. The bank also plans to open a new branch in the ABG head office building (when commissioned), while moving its existing Arad branch to Bahrain's Seef shopping mall. This will bring the total number of branches in its Bahrain network to 8. It aims to gradually expand the network over the next 5 years to 16 in total, commencing with 2 new branches in 2015.

Al Baraka Bahrain was proud to win for the second year running the 'Best Islamic Bank in Bahrain' award from Euromoney Magazine and 'Best Islamic Bank in the Region' by Islamic Finance News. The bank also won the 'Best Islamic Financial Institution' award from Global Finance magazine and the 'Best Arab Bank for Wise Leadership' award for 2013 from the Arab Organization for Social Responsibility in collaboration with the Tatweej Academy for Excellence Awards in the Arab Region.

Al Baraka Islamic Bank B.S.C. (c) - Bahrain
Al Baraka Islamic Bank was incorporated in Bahrain in February 1984 and operates as a retail Islamic bank. It obtained a commercial banking licence in Pakistan in 1991. The bank operates 6 branches in Bahrain.

Unit Head:	Mr. Mohammed Al Mutaweh
Title:	Board Member & CEO
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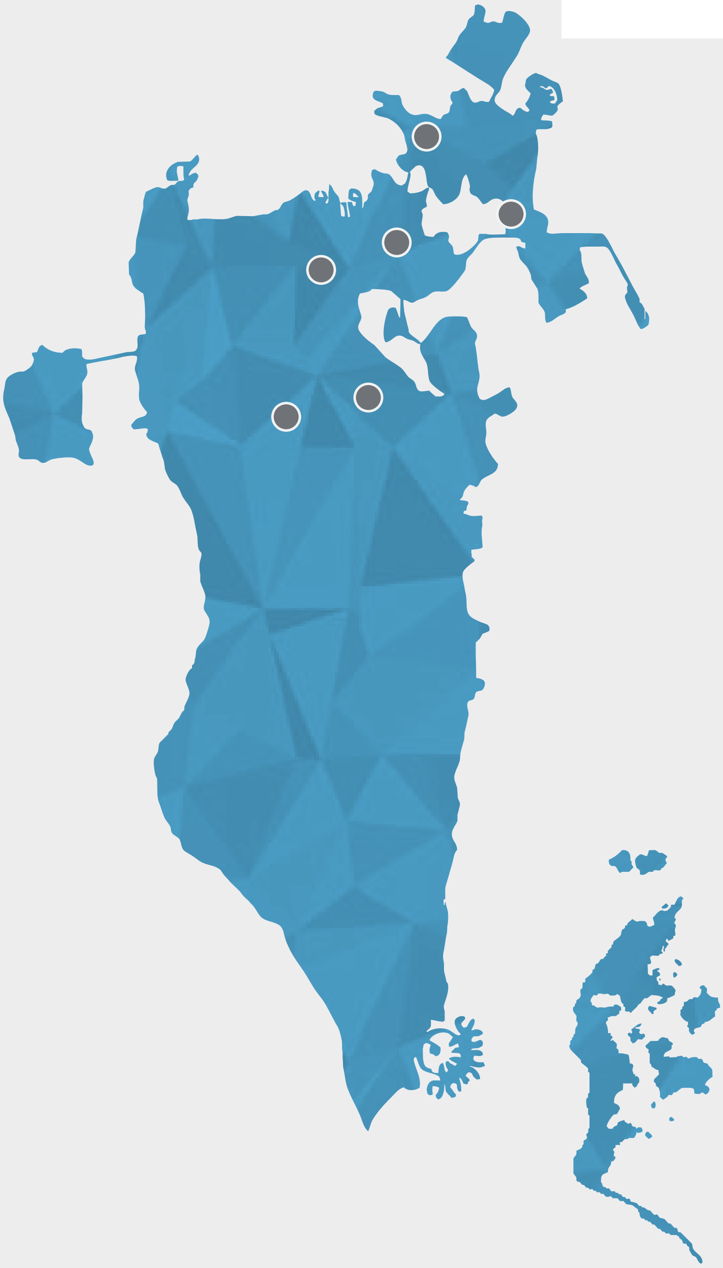

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA ISLAMIC BANK B.S.C. (c) – BAHRAIN (continued)

AL BARAKA BANK (PAKISTAN) LIMITED

Founded 2010

Pakistan's GDP grew in 2014 by 5.4%, a lower rate than in recent years. The current account deficit widened to -2.6% of GDP, with the trade deficit at the end of the year reaching an estimated $23.2 billion. Inflation moderated somewhat to 7.2%. The government's plans for infrastructure development including roads and port expansion and new residential housing schemes, coupled with the success of a Eurobond issue on the international market, were partly responsible for reinvigorating the stock exchange which rose strongly to reach an all-time high led by a rally in the cement sector.

At Al Baraka Pakistan the bank's total assets increased by 13% to $0.93 billion, mainly due to a 35% increase in total financings and investments and to a lesser extent fixed and other assets. Growth in the financings and investments portfolios was largely in the new Mudaraba portfolio which ended the year at $100 million, together with an 85% surge in Musharaka financing, with a notable contribution from the Istisna'a and Salam portfolios. The increase in assets was funded partly from a 10% rise in total customer accounts including EIAH but about $31 million emanated from Sukuk and subordinated funding.

Expansion of the financings and investments portfolios was only partly reflected in the total income from joint financings and investments, which rose by 5% to $56 million; likewise the bank's share after accounting for the EIAH investors was also 5% higher, at $11 million. However, its income from its own self-funded financings and investments grew by a healthy 54% to $11 million and its income from banking services also showed good growth. This resulted in a total operating income of $29 million which, after operating expenses of $25 million, produced a net operating income of $4 million, 34% higher than in the previous year. Following allocations for provisions and taxation charge, the bank recorded a net income of $2 million, a significant improvement compared with its breakeven position in 2013 and $6 million loss in 2012.

In accordance with its ongoing strategy, the bank's branch network was extended over the year to a total of 130 branches, the 20 additional offices being largely opened in rural/agricultural and suburban areas of the country. It also installed an additional 32 teller machines to bring its ATM network up to 75 machines. Under its 5-year rolling plan it intends to have 245 branches established by 2019. New products introduced included Running Musharika and Agri-financing facilities, the launch of a Debit Card and, on the liabilities side, term deposit accounts for senior citizens, savings accounts for ladies and Rahnuma savings accounts, in addition to new Banca Takaful (insurance) and home financing under the new consumer finance banner. For 2015 it plans to couple the launch of its new SMS banking and Internet banking services for personal customers with mobile banking, cash management and home remittance services and to expand into the Agri-based SME market.

The year was marked by the successful issuance by Al Baraka Pakistan of the country's first ever Mudaraba Sukuk, a subordinated Tier II instrument amounting to $20 million. The bank also acted as lead arranger in 5 syndications aggregating $50 million providing funding to the oil & gas and glass industries. It extended its investment advisory service, earning substantial advisory fees in the process. As part of its contribution under the Corporate Social Responsibility ethos it helped to fund a number of health institutions and hospitals for the treatment of underprivileged patients, sponsored various scholarship programmes and other contributions to social projects including providing a mobile ambulance to a countrywide charitable organisation.

Al Baraka Bank (Pakistan) Limited

Al Baraka Bank (Pakistan) Limited has been present in its erstwhile form of 29 branches of Al Baraka Islamic Bank B.S.C. since 1991. In October 2010, it acquired Emirates Global Islamic Bank to form Al Baraka Bank (Pakistan) Limited and now has a total of 130 branches.

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Title: Board Member & CEO

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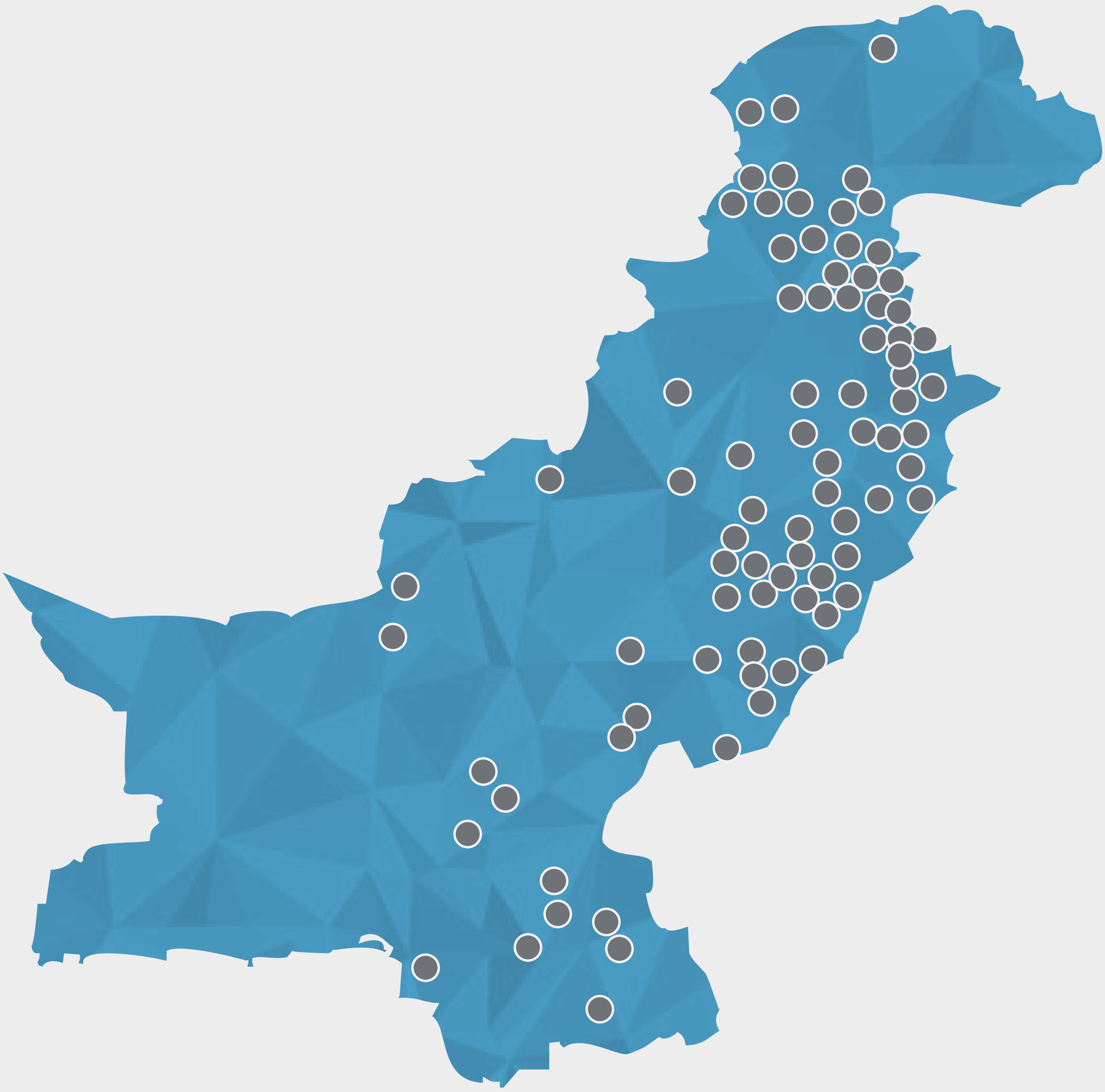

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA BANK TUNISIA

Founded 1983

Tunisia's economic performance in 2014 reflected a lower GDP growth rate of 2.2% compared with 2.8% in 2013. The current account deficit also deteriorated, to -9.3% of GDP, as exports continued to decline in light of the slowdown in the Eurozone economies, while the fiscal deficit was relatively high at -5.0% of GDP. The rate of inflation declined a little to 5.5%, while the Tunisian Dinar declined further against international currencies, in particular the US dollar. Maintenance of liquidity remained a priority for Tunisian banks, including Al Baraka Tunisia whose licence application to convert from an offshore bank to a full onshore bank was approved in 2013, permitting it to expand as it is now allowed to offer a greater range of retail activities in local currency. Of significance this year was the implementation of the Islamic Sukuk law in October, following which the government utilised this mechanism to avail itself of finance for the public sector.

The marginal decline to $643 million in Al Baraka Tunisia's total assets does not do justice to its underlying performance in its first year operating as an onshore bank. Its financings and investments portfolios grew by 7% to $599 million as its Murabaha sales receivables rose by 24% to $287 million and this, together with expanded Ijarah Muntahia Bittamleek and non-trading investments portfolios, more than compensated for a 14% decline in Mudaraba financing. This in turn resulted in an 11% increase in income from its joint financings and investments to $23 million which, after accounting to the EIAH investors for their share, contributed $16 million to the bank's earnings from this source. Earnings from its self-financed business activities, banking services, Mudarib share of income from off-balance sheet EIAH accounts and other operating income likewise grew, with the consequence that the bank produced a total operating income of $24 million, 18% above the previous year. However, after accounting for operating expenses of $16 million, 35% higher than in 2013, the net operating income was 7% lower at $8 million which, following allocations for provisions and taxation charge, produced a net income for the year of $5.5 million, compared with $6 million in 2013.

As an onshore banking institution the bank was able to launch six new financing and deposit products, ranging from motor vehicle, home improvement and household goods financings to house purchase savings schemes combined with finance and Umra and Hajj savings schemes introduced for the first time to the Tunisian market. It plans to unveil other products in 2015, including students' loan and study accounts. During the year Al Baraka Tunisia opened 5 new branches including 3 exchange bureaux; the network now totals 13 offices and under its 5-year rolling expansion programme the bank has plans to build a network of 41 by 2019. Similarly, its current ATM network will be expanded in 2015 to 70 machines, dealing with local currency transactions, with 58 dealing in foreign exchange.

Al Baraka Bank Tunisia

Al Baraka Bank Tunisia was established in 1983. The bank has both offshore and local retail activities in accordance with Shari'a principles. The bank operates 13 branches spread over the most important economic regions of the country, supported by 14 Automated Teller Machines (ATMs), also during 2014 adding 3 exchange offices at Tunis-Carthage International Airport.

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PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA BANK SYRIA S.A.

Founded 2009

The ongoing conflict in Syria has taken a devastating toll on its economy, with official estimates of a drop in GDP of -3.7% in 2011, -27.7% in 2012 and probably in excess of -40.0% in 2013. No estimates are available for 2014 but it is believed that GDP has probably now stabilised at a base level that is unlikely to alter in the foreseeable future. The hardest hit economic sectors have been oil extraction and production, internal trade and transport, while public and private investment have fallen sharply. The government's budget for 2014 includes an allocation of some $4.5 billion for subsidies, 44.2% of its total expenditure. Although falling over the year as a whole, however, the Syrian Pound has rallied recently in the light of international developments and an increase in foreign humanitarian aid, with the official exchange rate reaching S£179/US$ at the end of 2014.

As a consequence of the steep decline in value of the Syrian Pound, the performance of Al Baraka Syria must be viewed in terms of the local currency alongside the currency of consolidation into Group accounts i.e. the US dollar, a factor which is further complicated by the fact that some of the bank's assets are held in foreign currencies. The bank continued to focus on Treasury operations to compensate for the difficulties in identifying good quality local financing opportunities, in addition to the provision of indirect facilities (letters of credit, guarantees, etc.) to its prime customers.

In 2014 the bank's total assets expanded by 46% to SP88.71 billion, but grew by only 6% to $448 million in US dollar terms. It recorded a 63% increase in its total financings and investments to SP49.83 billion but an 18% expansion in dollar terms, which rose to $252 million. On the liabilities side, total customer accounts including EIAH grew by 29% in local currency but fell by 6% when converted into dollars, to $291 million, as an increase in equity of IAH was insufficient to offset somewhat reduced current and other account balances, at least when expressed in dollars.

The total operating income was up 13% in local terms to SP4.22 billion, but was 10% down in dollar terms to $25.3 million. The biggest contributors were income from banking services and other operating income, reflecting the bank's concentration on indirect facilities and services. After deducting operating expenses the net operating income was $21 million, 10% less than that of 2013. Following allocations for provisions and taxation charge, the resultant net income was $15 million, compared with $20 million in 2013.

Although given the prevailing conditions in Syria the bank was compelled to restrict its branch opening schedule, it nevertheless managed to open one new branch, bringing the total network up to 10 branches. It was also able to introduce a new financing product targeted at the medical sector and is able to offer Internet and SMS banking and an electronic debit card to its customers, amongst other services. Under the bank's 5-year rolling plan, which envisages the opening of 10 more branches by 2019, two more offices are planned for 2015.

Al Baraka Bank Syria S.A.

Al Baraka Bank Syria was established in 2009 and has grown as an Islamic institution offering a variety of financing products and services that suit different market segments and address their financial needs, via a chain of 10 branches spread across the major cities in Syria.

Unit Head: Mr. Mohammed Halabi
Title: Chief Executive Officer

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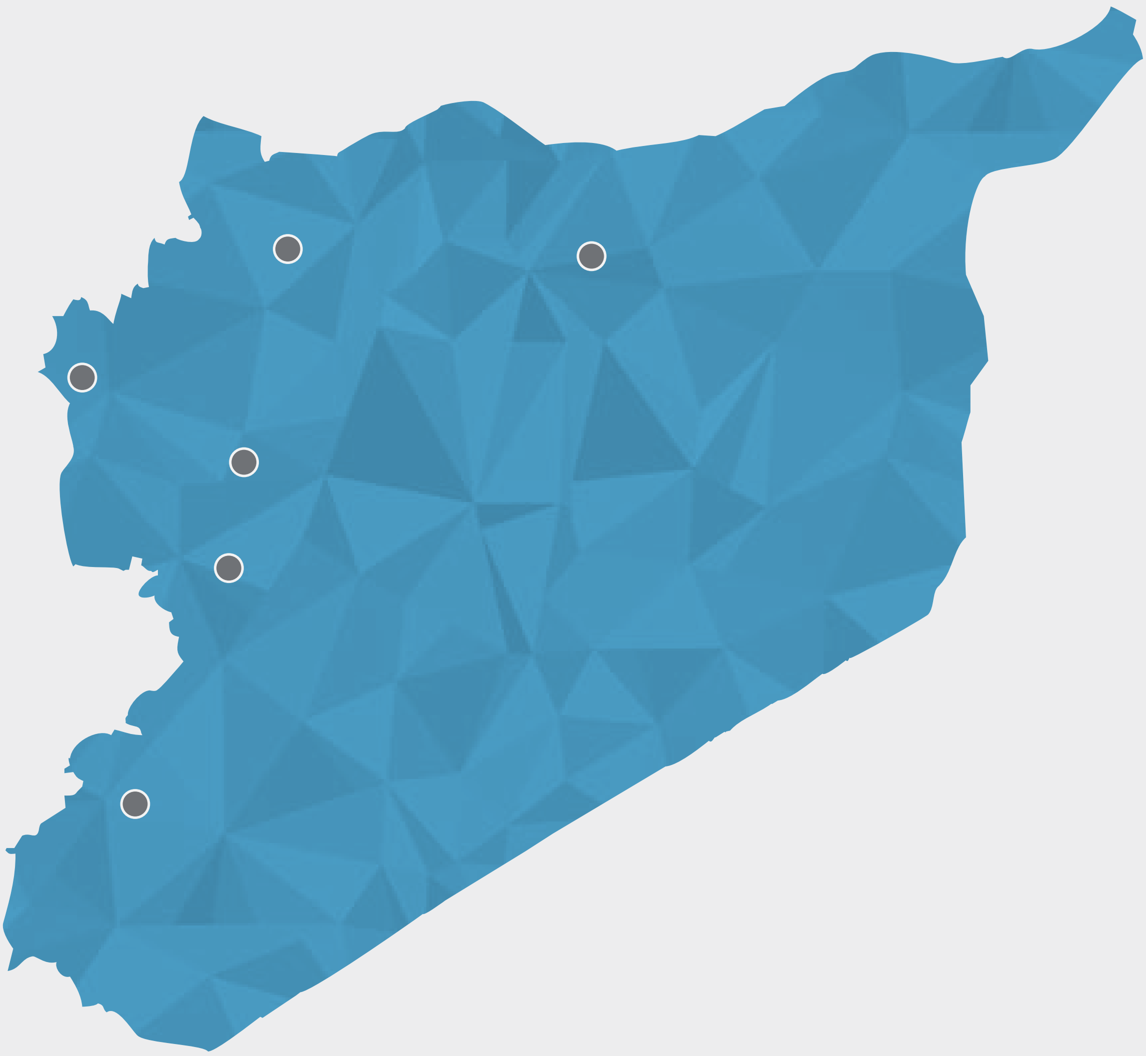

PRESIDENT & CHIEF EXECUTIVE’S REPORT (continued)

AL BARAKA BANK LIMITED – SOUTH AFRICA

Founded 1989

South African economic growth maintained its slow progress in 2014, with its 1.6% GDP increase falling below even the weak 1.9% growth exhibited in 2013. Inflation rose by 6.2% while the current account deficit grew to -5.4% of GDP. The Rand declined against international currencies, closing the year at ZAR11.59/US$.

At Al Baraka South Africa total assets rose by 9% in Rand terms but fell by 1% in dollar terms, ending the year at $416 million. Total financings and investments however grew by 13% in Rand and 2% in dollars, with the Musharaka portfolio accounting for the majority of the increase. The total assets were funded partly from the proceeds of a ZAR150 million Share Rights Issue in the third quarter, which resulted in ABG’s shareholding in the bank increasing from 62% to 65%.

Again due to the effect of the declining Rand on the exchange markets, the bank’s total income from joint financings and investments grew by 15% in Rand terms but by only 2% in dollar terms, to $31 million. After distributions to the EIAH investors of their share, and including its share as Mudarib, the bank earned $15 million from this source, a rise of 4% above 2013. Its revenues from banking services, which had increased by 11% in Rand terms, fell slightly in dollar terms so that including all other income its total operating income was 5% higher than the year before, at $19 million with net operating income at $5 million being a little above that of 2013 as was its net income for the year, at $4 million.

Al Baraka South Africa’s innovative Shari’a compliant foreign exchange contract attracted great interest after its introduction in 2013 and the zero commission charge helped to generate significant business for the bank in 2014. This was followed by the introduction of forward exchange contracts in December 2014. The bank also introduced a Shari’a compliant unit trust in collaboration with a major investment group, enabling customers to invest in Johannesburg Stock Exchange listed shares. Also launched was a Foreign Exchange Card to facilitate users of its Al Baraka Bank card in international transactions. It has existing network of 11 branches, and plans to open one new branch each year from now on to bring the total network up to 16 by 2019. It is now working on EMV-enabling its debit card to give its customers online purchasing capability from 2015.

Al Baraka Bank Limited - South Africa

Al Baraka Bank Limited was established in 1989 and operates as a commercial Islamic bank. The bank has 3 corporate offices and 7 retail branches and a business office.

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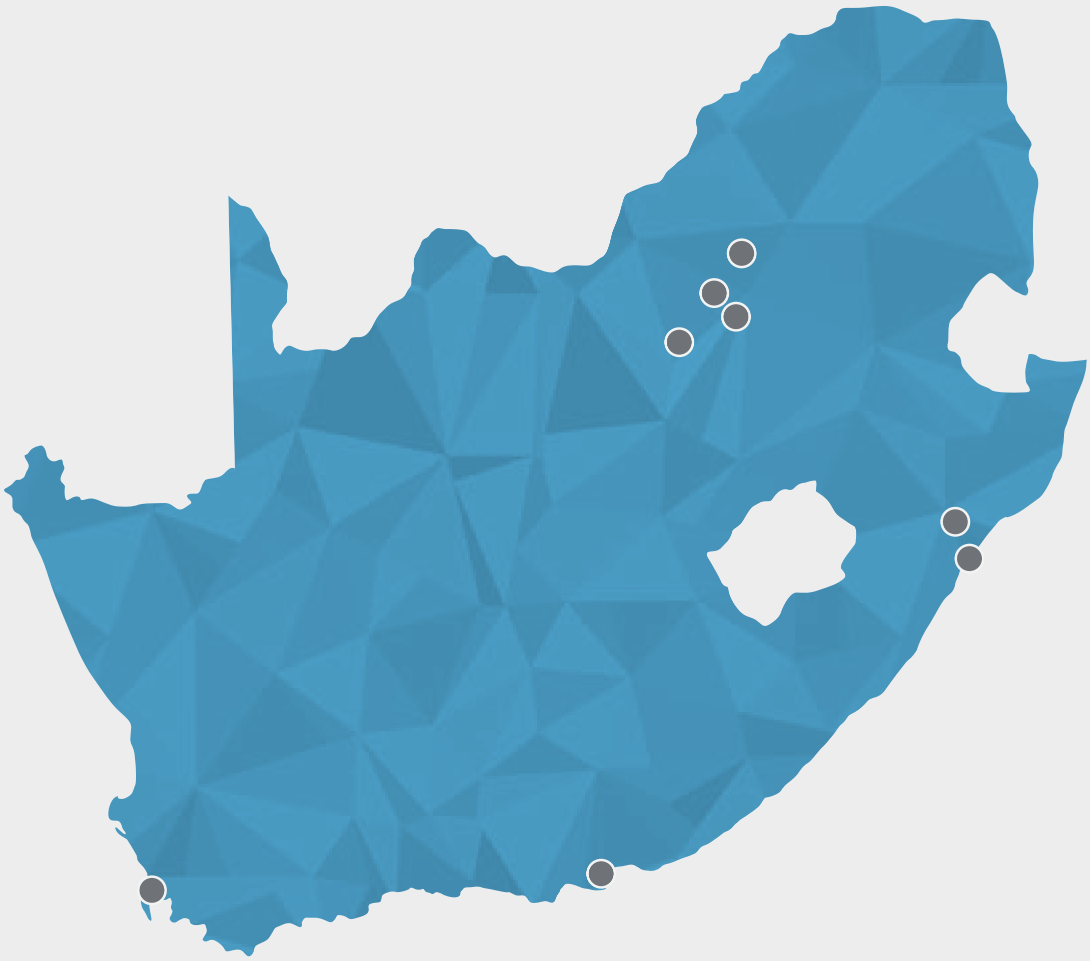

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA BANK LEBANON S.A.L.

Founded 1991

The Lebanese economy maintained sluggish growth in 2014 despite – and perhaps in part on account of – the effects of the current regional turmoil. Of course the refugee influx has had an overall negative impact, bringing increased pressure to bear on the country's infrastructure, public health and education services and even on housing rents, thus helping to push up the fiscal deficit and net public debt, which increased by around 2.0% and 8.0% respectively. On the other hand, the growth in labour availability and in consumption has undoubtedly benefited many local businesses too. Capital inflows also increased by nearly 10.0%, to about $9.0 billion. The rate of inflation however rose by an estimated 3.5%. Economic growth in 2014 is estimated at 1.8%. Weathering the relative economic slowdown in recent times, the banking sector stood out as one of the best performing regionally, with the sector's total assets expanding by nearly 8.0%.

Al Baraka Lebanon's total assets however increased by only 2% over the year, to $365 million, as total financings and investments fell by 7% to $231 million, reflecting a 13% drop in Murabaha sales receivables and a 34% reduction in investments in properties, partly covered by increases in the Mudaraba and Istisna'a portfolios. On the liabilities side the total customer accounts including EIAH balances rose by 6% to $325 million.

The bank's total income from joint financings and investments not surprisingly fell by 9% to $11 million and, after accounting to the EIAH investors for their share, the bank's share including its Mudarib fee was 26% lower than the previous year at $5 million. However, increased income from self-funded financing and investments, Mudarib fee in respect of off-balance sheet equity of IAH, revenue from banking services and other operating income all combined to lift the total operating income by 11% to $10 million. As operating expenses held steady, the net operating product was positive compared with 2013's negative position and, after a provisions write back and taxation, the bank returned a net income for the year of $0.5 million, compared with a loss for the previous year.

In 2014 Al Baraka Lebanon introduced a new Mussawama (partnership agreement similar to Murabaha) small-scale financing programme, offered in partnership with local distributors of international brand goods, to assist customers in acquiring electrical and other home appliances with the provision of short-term financing facilities. It has plans to launch a 15-20 year home financing product, and has finalised preparations for the launch in early 2015 of its e-Mobile application enabling customers to access their bank accounts and perform simple transactions. During the year it opened its new Call Centre. In 2015 it expects to unveil a new prepaid MasterCard for usage worldwide, in addition to a variety of other cards targeted at various markets. The bank also plans to recommence its branch expansion programme in 2015 with the addition of 2 branches to its current 7-branch network, under its long term plan for a 13-strong network by 2019.

With the help of an international consultant the bank has developed a 3-year strategic modernisation plan, implementation of which has already begun. Meanwhile it remains on track to achieve SR ISO 26000 compliancy in due course. During the year the bank was honoured with the awards of 'Best Islamic Bank in Lebanon 2013' by World Finance magazine, 'Best Islamic Financial Institution in Lebanon 2013' by Global Finance magazine, 'Islamic Bank of the Year – Lebanon 2014' by Deal Makers magazine and 'Best Islamic Bank in Lebanon 2014' by Global Finance magazine.

Al Baraka Bank Lebanon S.A.L.

Al Baraka Bank Lebanon was founded in 1991 and operated under a commercial banking licence until 2004 when an Islamic Banking Law was instituted and the Bank obtained an Islamic banking licence. Its activities comprise retail and commercial banking in accordance with Islamic Shari'a principles. The Bank operates 7 branches in various Lebanese cities.

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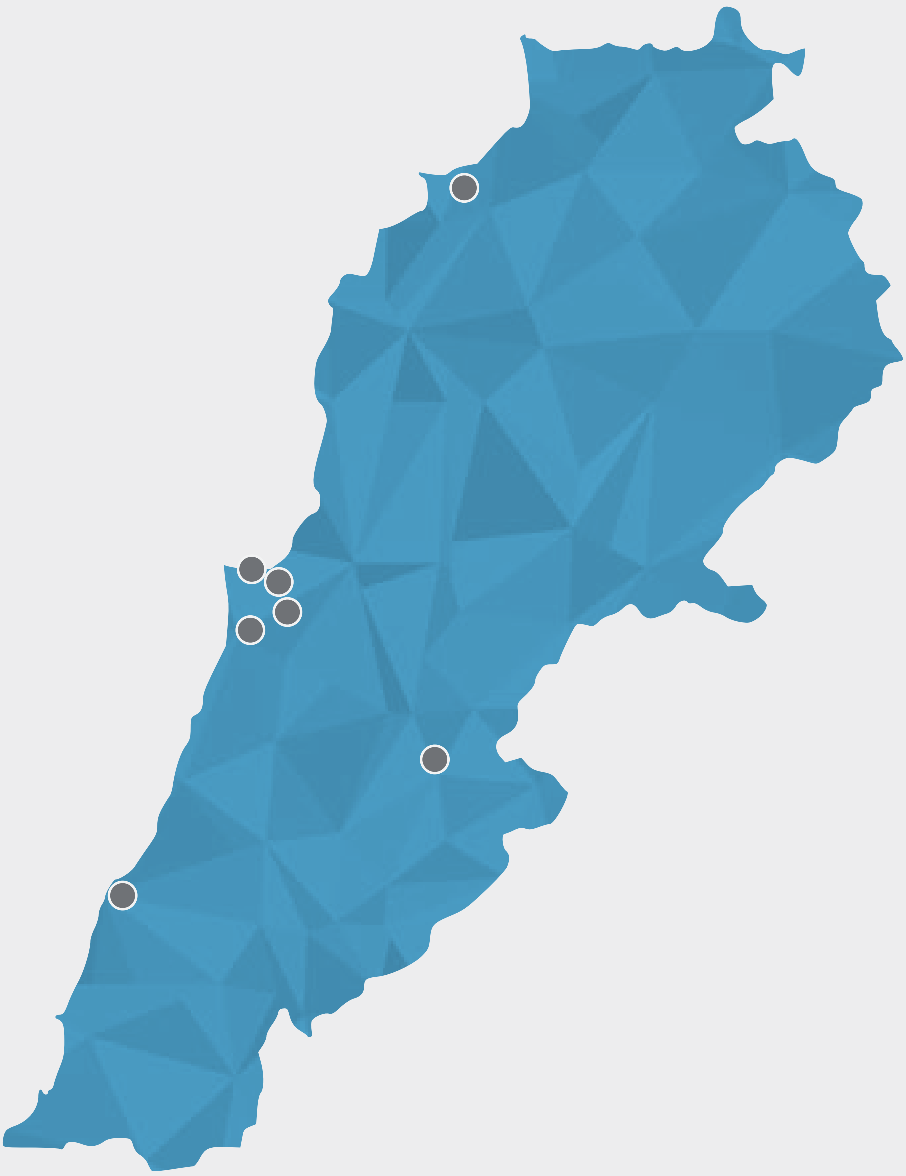

PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA BANK SUDAN

Founded 1984

Sudan's economy suffered from a number of adverse factors in 2014. The most significant of these stemmed from the situation in South Sudan which prevented the implementation of the agreement between the two states for the transmission of South Sudan oil through Sudan territory in return for throughput charges estimated at some $2.4 billion in a normal year, with some $884 million currently due. To this was added continuing unrest and insecurity in several areas which was not conducive to business transactions. The government's decision in 2013 to remove subsidies on petroleum products and to increase custom duties and taxes continued to pressurise the economy. Foreign exchange was in short supply, exemplified by the widening of the difference between the official exchange rate and those applying in the parallel market. The Sudanese economy is estimated by the IMF to have grown by some 3.0% in 2014, helped by an improvement in production of gold, Arabic Gum and sesame for export. However the inflation rate, although estimated at 38% for the year as a whole, may have been much higher according to local sources. The Sudanese Pound accordingly continued its decline against international currencies, reaching SP5.67/US$ by year-end.

Al Baraka Sudan's total assets grew in 2014 by 14% in Sudanese Pound terms, or 8% in US dollars, to $335 million. The increase was partly attributable to an expansion in the total financings and investments to $187 million on account of growth in non-trading investments, investments in properties and Murabaha financing, with the balance arising out of investment in fixed assets. The growth was funded by a 12% increase in total customer accounts including EIAH, which reached $234 million.

Notwithstanding only a slight increase in Musharaka at the end of the year, the bank was able to report a 22% rise in total income from jointly financed accounts and investments. After accounting to the EIAH investors for their share, the bank's share including its Mudarib fee was $18 million, 20% higher than in 2013. This, an increase in the bank's Mudarib fee on off-balance sheet equity of IAH and improved other operating income, helped to offset reduced income from self-financed activities and banking services, so that total operating income was 7% higher than the previous year at $27 million. After deduction of operating expenses – 10% up on 2013 at $16 million - the net operating income was unchanged at $11 million, resulting in a net income of $9 million, also unchanged from 2013.

Although no new branches were opened in 2014, the bank anticipates adding one branch in 2015 under its plan for growing its branch network from the current 27 branch offices to 31 by 2019. Its ATM network was meanwhile expanded to 37 sites. Having successfully tested its mobile banking service in 2014 it anticipates full rollout in 2015, and it will also be able to offer its customers bill payment capability via the bank's ATMs once the network has been linked to the national network. The bank plans a new headquarters building in Khartoum and has taken the first necessary steps towards that aim.

Al Baraka Sudan was proud to be informed earlier in the year that it had won World Finance magazine's 'Best Islamic Bank in Sudan' for 2013. It also received high praise from the Central Bank for its outstanding performance in the Sudan banking market in 2014.

Al Baraka Bank Sudan

Al Baraka Bank Sudan was established in 1984 and its activities comprise retail, corporate, commercial and investment banking. The bank operates 26 branches and 1 sub-branch.

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PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

ITQAN CAPITAL

Founded 2007

Despite the fall in international oil prices towards the latter part of the year, growth in the Saudi Arabian economy held steady at 3.9% in 2014 compared with 4.0% the year before. The budget surplus was reduced however to 1.5% of GDP while the current account surplus was 13.1% of GDP. The rate of inflation was moderate at 2.8%.

Itqan Capital is a Saudi Arabia based investment company licensed by the Capital Market Authority, engaged in asset and portfolio management, custody, debt and equity arrangement and the provision of research and advisory services. It specialises in the generation of investment opportunities to pension funds, foundations, charities, endowments, private and public companies, high net-worth individuals and family offices. It is strategically important to the Group as it gives ABG access to the extensive base of investors in Saudi Arabia and the opportunity to introduce them to the Group's wide range of Shari'a compliant products.

Itqan Capital's total assets at the end of 2014 amounted to $38 million, a reduction of 7% compared with 2013, as total financings and investments of $35 million were 11% below the level of the year before. This was the net result of a 39% fall in the Company's Murabaha sales receivables balances at the end of the year, decreases in its holdings of trading securities and investments in affiliates and subsidiaries offset by a $27 million enlargement (a 24-fold increase) of its non-trading investments portfolio.

Its revenue from banking and investment services and its income from its own investment activities having risen by 44% and 35% respectively, Itqan Capital's total operating income was 38% higher in 2014, at over $2 million. However with its operating expenses – of which 75% are staff related - remaining relatively fixed at a little under the $5 million level, as it continues to establish itself in the market and build relationships, the Company once again recorded a net operating loss – and net loss for the year - of $3 million.

Following the successful launching in 2013 of two new portfolio management programmes and its second and third real estate income funds, REIF-II and REIF-III, Itqan Capital's Murabahat & Sukuk Fund was ranked No. 1 in the Kingdom in May 2014 - a fitting acknowledgement of the superiority of its fund management capabilities. Its plans for 2015 include the launch of Itqan Saudi Education Fund and Itqan SME Fund, in addition to the establishment of its new Itqan Saudi Healthcare Fund. It also intends to set up a global brokerage joint venture and to open branches in Riyadh and Bahrain.

Itqan Capital

Itqan Capital is a Saudi Arabia based investment company licensed by the Capital Market Authority, engaged in asset and portfolio management, principal investment, debt and equity arrangement, Itqan Capital aspires to be the Kingdom's pre-eminent provider of investment offerings to pension funds, foundations, charities, endowments, private and public companies, high net worth individuals and family offices.

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Title: MD & CEO

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PRESIDENT & CHIEF EXECUTIVE'S REPORT (continued)

AL BARAKA BANKING GROUP REPRESENTATIVE OFFICE, INDONESIA

Founded 2008

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Indonesia's economic growth in 2014 is estimated to have been 5.0%, a slight decline from the 5.6% seen in 2013. The current account deficit was reduced somewhat to -2.8% of GDP, while the budget deficit was more significantly improved, at -2.3% of GDP compared with 2013's -3.3% of GDP. The rate of inflation, at 6.4%, compared well with 7.9% the year before.

ABG's Indonesia Representative Office assesses and reports on the potential for the Group to do business in the country or to consider the acquisition of suitable local banks. The representative office is also responsible for maintaining contact with regulators and major banking groups in Indonesia and for preserving the image and brand value of the Group. With trade flows between Indonesia and many of the countries where the Group operates continuing to grow, the representative office pro-actively identifies business opportunities and generates leads that are directed towards ABG subsidiaries.

(All figures in US Dollars unless otherwise stated)

AL BARAKA BANKING GROUP REPRESENTATIVE OFFICE, LIBYA

Founded 2011

The IMF reckons that Libya's GDP may have fallen by almost 20% in the last year as the country continues to suffer unstable and unsettled conditions and a halving of crude oil production. Although it still retains $120 billion of foreign exchange reserves, these are being drawn down very quickly.

ABG opened its new representative office in Tripoli in early 2013, in order to place the Group advantageously in the promising Libyan banking market to await the return to relative normality. The representative office supports and liaises with ABG units to help establish and maintain relationships with local regulators and banks and explore appropriate opportunities for business when appropriate.

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Title: Chief Representative

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alBa

AL BARAKA BANK LIMITED
HEADQUARTERS

COUNTRY: REPUBLIC OF SOUTH AFRICA
OPENED IN 2009

CORPORATE GOVERNANCE

ABG was formed in 2002 to bring together 10 individual banks, sharing common ownership and ethical vision but separate in all other respects, under a single management group focused on the achievement of strong yet sustainable financial returns and the building of consistent shareholder value over the long term. From the beginning ABG regarded the inculcation of a disciplined corporate governance and risk management culture as a fundamental prerequisite to effective management of the Group. The adoption and maintenance, through continual and vigilant review, of the highest standards of corporate governance and risk management have thus been key to building a strong, ethical, responsible organisation, establishing an overarching governing structure under which the functions, roles and responsibilities are clearly divided between the Board of Directors and Executive Management, officers and staff of the organisation.

THE BOARD OF DIRECTORS

The Board of Directors is responsible for the establishment and oversight of the Group's business strategy and priorities, for setting its high-level policies and for overall management, and is accountable to shareholders for the financial and operational performance of the Group. It is responsible for the raising and allocation of capital, monitoring of Executive Management and its conduct of the Group's operations, for making critical business decisions and for building long-term shareholder value. The Board ensures that the Group manages risk effectively, through approving and monitoring the Group's risk appetite and identifying and guarding against the longer term strategic threats to the business.

The Board is also responsible, inter alia, for:

- setting and reassessing periodically the Group's corporate goals and objectives;
- establishing policies to further the achievement of the Group's corporate goals and objectives;
- establishing and regularly reviewing the management structure and responsibilities and monitoring the effectiveness of Executive Management including its ability to plan and execute strategies;
- holding Executive Management accountable for results;
- putting in place adequate policies and processes for approving budgets and reviewing performance against those budgets and against key performance indicators;
- ensuring that an adequate, effective, comprehensive and transparent corporate governance framework is in place;
- establishing and approving policies and procedures designed to ensure ethical behaviour and compliance with laws and regulations, auditing and accounting standards and the Group's own corporate governance policy;
- ensuring that ABG and its subsidiaries' operations are supported by an appropriate control environment i.e. that internal audit, compliance, risk management and financial control and reporting functions are well resourced and structured;
- ensuring that the Group's operations are supported by a reliable, sufficient and well integrated information system;
- recognising and communicating to Executive Management the importance of the internal audit function at ABG and its subsidiaries, periodically reviewing internal control procedures and taking measures to enhance the function of internal audit and to act in a timely and effective manner on its findings;
- approving the writing off of credit facilities and investments where appropriate, in accordance with the Group's policies and procedures;
- approving strategic investments by ABG and its subsidiaries;
- monitoring potential conflicts of interest and preventing abusive related party transactions;
- approving material transactions outside the normal course of business or in excess of the limits of approval authority delegated to Executive Management;
- ensuring the preparation of financial statements which accurately disclose the Group's financial position, on a regular and consistent basis, and for reviewing and approving for dissemination its periodic financial statements and annual reports;
- approving all significant changes in the Group's accounting and reporting policies;
- ensuring compliance at all times with all relevant requirements of Shari'a and Islamic Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI);
- ensuring that the Group establishes and maintains an approved employee Code of Conduct and is in compliance therewith;
- ensuring that the control environment maintains necessary client confidentiality and that clients' rights and assets are properly safeguarded;
- convening and preparing the agenda for shareholder meetings;
- ensuring the equitable treatment of all shareholders including minority shareholders; and
- performing any other functions required of the Board of Directors under applicable laws and regulations.

In its regular review of the Group's strategy, the Board reviews the Group's business plans and the inherent level of risk in those plans; assesses the adequacy of capital to support the business risks of the Group; sets performance objectives; and oversees major capital expenditures, divestitures and acquisitions.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness and for defining and enforcing standards of accountability that enable Executive Management to achieve the Group's corporate objectives. The Board ensures that the systems and controls framework, the Board structure and the organisational structure of the Group are appropriate for the Group's business and associated risks and regularly assesses the systems and controls framework to that end. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

In meeting its responsibility to ensure efficient governance in all matters related to ABG, the Board has established a written compliance policy governing the Group's compliance with all laws and regulations, in particular those enunciated by the Central Bank of Bahrain (CBB) and other local regulators. The Board has delegated responsibility for monitoring compliance to the President & Chief Executive, which responsibility is carried out through a dedicated Compliance Department, whose mandate covers all aspects of compliance including: formulation of effective policies and processes for the management of the Group's compliance risk; assisting Executive Management and staff in managing risk; advising on laws and regulations and applicable compliance standards; disseminating compliance policies and providing guidelines to ABG staff members; ensuring an effective compliance methodology; providing periodical reports to the Board in connection with compliance controls; and establishing operational controls and a robust Know Your Customer (KYC) and Anti-Money Laundering (AML) framework. ABG is in the continuous process of enhancing its compliance framework and that of each of its subsidiaries.

In October 2010 the CBB introduced new requirements to be met by all licensees under Volumes 2 and 6 of Module HC of its Rulebook, with respect to corporate governance principles in line with the Principles relating to the Corporate Governance Code issued by the Ministry of Industry & Commerce of the Kingdom of Bahrain, international best practice corporate governance standards set by bodies such as the Basel Committee for Banking Supervision and related high level controls and policies. ABG conducts annually detailed internal assessments to ensure compliance with these requirements and, in the event that any shortfall is identified, sets specific milestones for implementation of measures to address the shortfall. The CBB, ABG's shareholders, the Board of Directors and Executive Management are all kept fully apprised of such shortfalls if any and the milestones set. In accordance with this procedure, ABG earlier applied for and received the consent of the CBB to the appointment of the Chairman of the Board of Directors notwithstanding that he is not an independent director as defined in the CBB Rulebook.

The Board Audit and Governance Committee members possess adequate awareness of Shari'a principles in relation to Islamic banking transactions and are therefore competent to oversee the audit of Shari'a-related governance issues.

"We believe that we have a particular obligation to society, through patronage and sponsorship of educational and social projects."

ABG ensures on a continuous basis that the minority shareholders of the Group are well represented on the Board of Directors through the independent directors, who have additional responsibility for protection of the rights of minority shareholders.

The Board of Directors meets regularly (at least four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational, risk management and information technology development) and the performance of Executive Management. All Directors attend all Board meetings whenever possible and in any event not less than 75% of meetings in any year, and maintain informal contact between themselves in between meetings.

The Chairman is responsible for leadership of the Board and for its efficient functioning. He ensures that all members receive an agenda, minutes of prior meetings and background information in writing before each Board meeting and between meetings when necessary. The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its Committees and all Directors individually have access to Executive Management, external legal or other professional consultants and advisors at the Group's expense, and to the Board Secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed. The Board encourages participation by members of Executive Management at Board meetings if appropriate regarding matters which the Board is considering and where the President & Chief Executive believes management should have exposure to the Board.

CORPORATE GOVERNANCE (continued)

Under ABG's Articles of Association the Board of Directors shall consist of no fewer than five and no more than fifteen members. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months with the approval of the Minister of Industry & Commerce of Bahrain.

There is no maximum age limit at which a Director must retire from the Board of Directors. Each Director's membership of the Board shall terminate upon the expiry of his/her term, or upon the resolution of the shareholders in General Meeting, or as a result of one of a number of specified events or circumstances, including:

- the original appointment being found to be contrary to the provisions of ABG's Articles of Association;
- abuse by the individual of his/her position as director or failure to comply with the provisions of his/her appointment or the terms of the Charter of the Board or of its Committees;
- the individual's failure to attend three consecutive Board meetings without lawful excuse notified in writing to the Board;
- upon the individual's formal resignation from the Board following reasonable prior notice; or
- occupation of any other remunerative office within ABG unless specifically approved by the Board of Directors.

When an announcement is made requesting nominations for the position of membership of the Board of Directors to replace those members whose three year term is due to expire, such nominations must be submitted to the Chairman of the Board within the time frame provided in the announcement. As part of the nomination process, each nomination must comply with local rules and regulations and must be submitted for approval to the CBB in order to ensure compliance with the CBB's "Fit and Proper" criteria. The names of all nominated individuals so approved by the CBB are then submitted to the shareholders at the next AGM for consideration and election. Election of ABG Directors takes place in accordance with the rules and procedures set out in the Commercial Companies Law and ABG's Articles of Association.

Each new director elected to the Board has a written appointment agreement with ABG, detailing the powers, duties, responsibilities and obligations of that director and other relevant terms and conditions of his appointment.

There are currently twelve Directors on the Board, who have varied backgrounds and experience and who are individually and collectively responsible for performing the responsibilities of the Board and for exercising independent and objective judgement. No individual Director or group of Directors has unfettered powers of decision making or dominates the Board's decision making. Other than the President & Chief Executive all Directors are non-executive and fully independent of management and are individually responsible for scrutinising and challenging management decisions and performance. The posts of Chairman, Vice Chairman and President & Chief Executive are held by different Directors and the President & Chief Executive has separate, clearly defined responsibilities. The Board and its Committees are regularly assessed with respect to their size and composition, while individual Directors are assessed annually for their effectiveness, contribution, independence in light of interests disclosed and conduct. The independence or non-independence of directors is likewise reviewed annually.

ABG does not provide for any performance-linked stock incentives for the Board or Executive Management. All directors are remunerated solely by means of an annual retainer fee and sitting fees paid for each meeting attended, in addition to reimbursement of travel expenses as appropriate.

The Board of Directors has adopted a formal Code of Business Conduct and Ethics applicable to Directors and Executive Management, officers, employees and agents, consultants and others representing or acting for the Group. Details of the Code are provided in the Additional Public Disclosures section of this report.

In line with international best practice and the CBB Rulebook, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of five independent directors as defined in the CBB Rulebook.

In 2014 the members of the Board were:

Non-Executive Directors

1. Shaikh Saleh Abdullah Kamel – Chairman
2. Mr. Abdullah Saleh Kamel – Vice Chairman
3. Mr. Abdul Elah Sabbahi
4. Mr. Yousef Ali Fadil Bin Fadil
5. Mr. Mohyedin Saleh Kamel
6. Mr. Fahad Abdullah A. Al Rajhi

Independent Directors

1. Mr. Abdulla A. Saudi – Vice Chairman
2. Mr. Saleh Al Yousef
3. Mr. Ebrahim Fayez Al Shamsi
4. Mr. Jamal Bin Ghalaita
5. Dr. Bassem Awadallah
6. Mr. Saud Saleh AlSaleh

Executive Director

Mr. Adnan Ahmed Yousif – President & Chief Executive

All current Directors were elected for a 3-year term on 23 March 2014.

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BOARD COMMITTEES

The Board has put in place a number of Board committees, membership of which is drawn from the Board membership and to which it has delegated specific responsibilities. The principal Board committees are:

Board Executive Committee

The Board Executive Committee is chaired by Mr. Abdullah Saleh Kamel and the other members are Mr. Adnan Ahmed Yousif, President & Chief Executive, Mr. Abdul Elah Sabbahi and Mr. Yousef Ali Fadil Bin Fadil. The Board Executive Committee comprises a minimum of four Directors and meets at least two times a year. The Board has delegated to the Board Executive Committee, under a formal written charter adopted by it, the responsibility to make recommendations to the Board, for the Board's approval, concerning the Group's overall strategies and business plan, or any significant change to them, or any major change to its capital or organisation structure, assets or investments.

Board Affairs and Remuneration Committee

The Board Affairs and Remuneration Committee operates in accordance with a formal written charter adopted by it. The Committee is chaired by Mr. Ebrahim Fayez Al Shamsi and its other members are Mr. Saleh Al Yousef and Mr. Yousef Ali Fadil Bin Fadil. The Committee meets at least twice a year and considers all material elements relating to remuneration policy, including, inter alia, the approval of the remuneration of the Directors, based on their attendance at Board and Committee meetings, and recommendation to the Board of the level of remuneration of the Executive Management members and other ABG employees under an approved performance-linked incentive structure. The Committee also performs the role of a Nominations Committee as described below.

The Committee conducts an annual evaluation of the performance of the Board, Board Committees and the President & Chief Executive. When an issue relating to the personal interest of a Director is discussed in the Committee, the interested Director withdraws from the meeting and abstains from voting. The Committee is responsible for identifying persons qualified to become members of the Board or the chief executive officer, the chief financial officer, the Board Secretary and other executive officers considered appropriate (with the exception of the Head of the Internal Audit Department) and for making recommendations accordingly. It is also responsible for inducting, educating and orienting new Directors and for conducting seminars and other training programmes from time to time for Members of the Board.

Board Audit and Governance Committee

The Board Audit and Governance Committee is chaired by Mr. Saleh Al Yousef. Other members are Mr. Ebrahim Fayez Al Shamsi and Dr. Bassem Awadallah. The Committee is governed by a formal written charter adopted by it and approved by the Board. The Committee meets formally at least four times a year. External auditors attend at least one meeting annually; moreover, external auditors have unrestricted access to the Committee and its Chairman throughout the year.

The Board of Directors has delegated to the Board Audit and Governance Committee the responsibility for ensuring that an effective internal auditing and continuous internal controls monitoring environment, and a sound system of accounting and financial control, are in place. The Committee achieves this through regular review of internal audit reporting, external auditors' management letters, central banks' inspection reports and the Group's accounting and financial policies and practices, financial reporting and disclosure controls and procedures and the adequacy and effectiveness of the internal control procedures at the Head Office and at ABG's subsidiaries. The Committee considers all matters relating to financial control and reporting, internal and external audits and their scope and results, risk management and compliance with regulatory and legal requirements, accounting standards and Shari'a requirements. It also considers and approves the annual audit plans, ensures coordination between the internal and external auditors, monitors the independence, qualifications, effectiveness and performance of the external auditors and makes recommendations to the Board regarding the appointment, retirement and remuneration of the external auditors and the appointment of the Head of the Group's Internal Audit Department.

The Committee reviews the Group's annual and interim financial statements to recommend their approval to the Board of Directors, the adequacy of provisions and any reports by external consultants on specific investigative or advisory engagements.

The Committee ensures that there are in place systems of control appropriate to the business of the Group and the information needs of the Board, including systems and functions for identifying and monitoring risk, the financial position of the Group and compliance with applicable laws, regulations and best banking practice, and that all such information is produced on a timely basis. The various internal controls and processes are subject to independent review by the Group's Internal Audit Department, which reports directly to the Committee as stated above, and external auditors and regulators as appropriate. Management letters and other issues of importance raised by external auditors, and inspection reports issued by the CBB's inspectors or inspectors of any other applicable authorities in any areas in which ABG or its subsidiaries operate, are reviewed by the Committee once issued which, acting on behalf of the Board, ensures that appropriate corrective action is taken where required.

The Committee also oversees and monitors the implementation of the corporate governance policy framework, providing the Board with reports and recommendations based on its findings.

CORPORATE GOVERNANCE (continued)

The Board has adopted a 'whistleblower' programme under which employees can confidentially raise concerns about possible improprieties in financial or legal matters. Under the programme, concerns may be communicated directly to any member of the Board Audit and Governance Committee or alternatively to an identified officer or employee who in turn reports the matter to the Committee.

Board Risk Committee

The Board Risk Committee is chaired by Mr. Saud Saleh Al Saleh, with its other members being Mr. Jamal Bin Ghalaita, Mr. Fahad A. Al Rajhi and Mr. Mohyedin Saleh Kamel. Membership of the Committee comprises a minimum of four Directors, all of whom must be non-executive directors. The Board Risk Committee meets formally at least twice a year but will meet more frequently at the request of the Chairman of the Committee. It can call for the attendance of the President & Chief Executive, Head of Credit and Risk Management and other senior executives of the Group at any of its meetings.

The Group's risk appetite is determined by the Board based on the recommendations of the Board Risk Committee. The Board Risk Committee is responsible for setting acceptable levels of risks to which the Group may be exposed, for approving management's strategy for the managing of risk and for ensuring that all necessary steps are taken by management to identify, measure, monitor and control risk. The Committee's objective is to oversee the Group's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements. The Committee reviews issues identified by the Internal Audit and Compliance departments of ABG and/or any of its subsidiaries, such as weaknesses or breakdowns in controls.

Board Social Responsibility Committee

The Board Social Responsibility Committee is chaired by Dr. Bassem Awadallah and other members are Mr. Adnan Ahmed Yousif, President & Chief Executive, Mr. Abdul Elah Sabbahi and Mr. Fahad Abdulla Al Rajhi. The Committee leads the Al Baraka Social Responsibility Programme. The Committee oversees the formulation of policies and strategies by Executive Management and the Management Social Responsibility Committee intended to make ABG and its subsidiaries a model Islamic banking group offering banking and financial services in a socially responsible manner and in conformity with the objectives of Shari'a.

The Committee aims to adhere to the spirit of Islamic finance that enjoins social responsibility as a principal feature of Islamic banking and finance. The Committee demonstrates its commitment to the spirit of social responsibility inherent in Islamic finance by setting various quarterly and annual targets for Executive Management.

Under the terms of its written Charter which has been adopted by it, the Committee comprises no fewer than four Board Members and is chaired by an independent Director. All minutes and reports of meetings of the Committee are disseminated to all members of the Board of Directors.

DIRECTORS' ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2014

Name of Board / Committees	Members' Name	No. of Meetings in 2014	Dates of the Meetings	No. of Meetings attended
Board of Directors	Shaikh Saleh Abdullah Kamel	7		3
	Mr. Abdulla A. Saudi			7
	Mr. Abdullah Saleh Kamel			6
	Mr. Saleh Al Yousef		23/02/2014	7
	Mr. Adnan Ahmed Yousif		23/03/2014	7
	Mr. Abdul Elah Sabbahi		11/05/2014	7
	Mr. Ebrahim Fayez Al Shamsi		05/07/2014	7
	Mr. Yousef Ali Fadil Bin Fadil		10/08/2014	7
	Mr. Jamal Bin Ghalaita		10/11/2014	6
	Dr. Bassem Awadallah		24/12/2014	7
	Mr. Mohyedin Saleh Kamel			5
	Mr. Fahad Abdulla A. Al-Rajhi			5
	*Mr. Saud Saleh Al Saleh			4
Board Executive Committee	Mr. Abdullah Saleh Kamel	4	29/01/2014	4
	Mr. Abdul Elah Sabbahi		04/05/2014	4
	Mr. Yousef Ali Fadil Bin Fadil		11/09/2014	4
	Mr. Adnan Ahmed Yousif		04/12/2014	4
Board Audit and Governance Committee		6	23/02/2014	
	Mr. Saleh Al Yousif		11/05/2014	6
	Mr. Ebrahim Fayez Al Shamsi		10/08/2014	6
	Dr. Bassem Awadallah		12/10/2014	6
			09/11/2014	
			24/12/2014	
Board Affairs and Remuneration Committee	Mr. Ebrahim Fayez Al Shamsi	4	12/01/2014	4
	Mr. Yousef Ali Fadil Bin Fadil		20/04/2014	4
	**Mr. Saleh Al Yousef		12/06/2014	3
	***Mr. Jamal Bin Ghalaita		02/10/2014	1
Board Risk Committee	*Mr. Saud Saleh Al Saleh	4	06/02/2014	3
	Mr. Jamal Bin Ghalaita		20/04/2014	3
	Mr. Fahad Abdulla A. Al Rajhi		12/06/2014	4
	Mr. Mohyedin Saleh Kamel		30/10/2014	3
	***Mr. Abdul Elah Sabbahi			1
Board Social Responsibility Committee	Dr. Bassem Awadallah	2		2
	Mr. Adnan Ahmed Yousif		10/11/2014	2
	Mr. Abdul Elah Sabbahi		24/12/2014	2
	Mr. Fahad Abdulla A. Al Rajhi			2

*Appointed as member with effect from (WEF) 23 March 2014
**Affairs & Remuneration Committee: Member WEF 23 March 2014
***Member till 23 March 2014

CORPORATE GOVERNANCE (continued)

SHARI'A SUPERVISORY BOARD

ABG's Shari'a Supervisory Board (SSB) is elected by the shareholders at Annual General Meeting upon recommendation by the Board of Directors. The SSB is actively involved in the development of the Group's products and services and certifies or oversees the certification by individual subsidiaries' SSBs of every product and service accordingly as complying with the standards and principles of Shari'a.

The SSB operates within its own charter which covers its policies, procedures and responsibilities. In carrying out its responsibilities, the SSB has full access to the Board, Executive Management and management and officers of the subsidiaries. In addition to reviewing and advising on Shari'a compliance of all products and services, it oversees the audit of the operations of the Group from a Shari'a perspective.

The SSB meets at least 6 times a year. Its members are remunerated by annual retainer fee and sitting fees per meeting attended, with travel expenses reimbursed as appropriate. Its members are not paid any performance-related remuneration.

EXECUTIVE MANAGEMENT

The Board of Directors has delegated to the Group's Executive Management Team the primary responsibility for implementing the strategy of the Group, identifying and evaluating significant risks to the business of the Group and for the design and operation of appropriate internal controls. Its other responsibilities include: ensuring that resolutions of the Board of Directors are carried out; ensuring that the Group operates at all times in accordance with the principles of Shari'a and that the decisions and recommendations of the Shari'a Supervisory Board are carried out; providing the Board of Directors with analyses, assessments and recommendations regarding the Group's activities and supplying the CBB with all information required under the CBB Law and relevant regulations. Executive Management disseminates to Group units strategic and other central decisions taken at the parent level, thus ensuring the implementation of Groupwide policies and common operational processes and procedures.

As at the end of 2014, the Executive Management Team consisted of the President & Chief Executive and the Heads of Strategic Planning, Operations and Administration, Financial Control, Credit and Risk Management, Legal Affairs, Treasury, Investments and Financial Institutions and Commercial Banking. All members of the Executive Management Team have been provided with a written appointment agreement specifying the rights and obligations attaching to the office of that member.

Executive Management also exercises control via a number of committees with specific responsibilities, among which are:

Executive Management Committee

The Executive Management Committee's role is to oversee the implementation of the strategic objectives of the Group in relation to its business direction, operations, risk, expansion plans and overall policies and procedures. The Committee is chaired by the President & Chief Executive with the remaining membership comprising the Heads of Strategic Planning, Operations and Administration, Credit and Risk Management and Treasury, Investments and Financial Institutions, with the Heads of Financial Control, Legal Affairs and Internal Audit as observer-members.

Asset and Liability Committee

The Asset and Liability Committee's mandate is to monitor the liquidity and capital adequacy of the Group and review the Group's long term equity investments and its penetration into the different markets. The Committee reviews liquidity and cash flow of ABG and the Group and sets balance sheet growth targets, besides monitoring the distribution of profits to investors. The Committee is chaired by the President & Chief Executive and its remaining members are the Heads of Strategic Planning, Operations and Administration, Financial Control, Credit and Risk Management and Treasury, Investments and Financial Institutions, together with a senior member from the Bahrain-based subsidiary, Al Baraka Islamic Bank (Al Baraka Bahrain).

Head Office Credit Committee

The Head Office Credit Committee is the authority that approves credits and considers issues of Group credit policy and Group credit exposures, problem credits and provisioning levels. The Head Office Credit Committee is chaired by the President & Chief Executive, with the remaining membership being drawn from among Executive Management.

Management Risk Committee

The Management Risk Committee's role is to assist the Board Risk Committee in managing and controlling risks and to introduce and support such measures which enhance the efficiency of risk management policies, procedures, practices and controls within the Group. It is chaired by the President & Chief Executive with remaining membership comprising the Heads of Operations and Administration, Financial Control and Credit and Risk Management and the Manager of Credit Review and Analysis.

Head Office IT Steering Committee

The Head Office IT Steering Committee's role is to draw up the Group's short and long term IT strategy and oversee and monitor its implementation throughout the Group with a view to effecting standardisation in information and operation management. The Committee is chaired by Head of Operations and Administration and other members are comprised of the Heads of Financial Control, Strategic Planning and Credit and Risk Management, together with senior support nominees drawn from the Group.

Human Resources & Compensation Committee

The role of the Human Resources & Compensation Committee is to review the Human Resources policies, management and planning at the Group's Head Office. The Committee is chaired by Head of Operations and Administration and other members are comprised of the Heads of Strategic Planning and Financial Control.

Head Office Insiders Committee

The Head Office Insiders Committee was set up in accordance with the guidelines issued by the CBB and the Bahrain Bourse (BB) and is aimed at ensuring the maintenance of a fair, orderly and transparent securities market and enhancing and developing the practices relating to the risk management systems and internal controls within listed companies and similar institutions. The Committee is responsible for monitoring and supervising issues relating to insiders in order to regulate their dealings in the Group's securities and to ensure that Group insiders are acquainted with and aware of the legal and administrative requirements regarding their holdings and dealings in the Group's securities, in addition to preventing the abuse of inside information by such insiders. The Committee is chaired by the President & Chief Executive and the other members are the Heads of Internal Audit, Operations and Administration, Legal Affairs and Investors' Relations.

Other committees

The Executive Management also forms ad hoc committees as and when required to address specific initiatives in which the Group may be engaged from time to time.

COMPLIANCE, POLICIES AND PROCEDURES

Group Compliance

In accordance with its resolve to apply and maintain the highest standards of compliance, ABG has appointed a Compliance Officer who is responsible for formulating a compliance strategy and a compliance management framework for the Group, reflecting the following core principles and practices which are firmly embedded in ABG and all its subsidiaries:

- complying with both the letter and the spirit of all applicable laws, rules and regulatory standards;
- conducting themselves strictly in accordance with all regulatory and ethical standards;
- encouraging a strong compliance culture, under which compliance is deemed to be the responsibility of every individual in the Group; and
- maintaining a strong corporate governance environment at all times.

Group Compliance in ABG is an independent function responsible for:

- proactively identifying and evaluating compliance risks;
- developing and implementing compliance policies, programmes and plans;
- monitoring, managing, mitigating and reporting compliance risks;
- monitoring, investigating and reporting compliance breaches, incidents and risks; and
- advising management and staff on compliance and regulatory matters.

The Compliance Officer reports directly to the President & Chief Executive. He provides an independent oversight on behalf of the Board of Directors and reports to the Board of Directors whenever deemed necessary. In addition, the Compliance Officer has the right and the authority to contact the CBB as and when he considers it necessary. The Compliance Officer is supported by dedicated Compliance teams in all ABG subsidiaries. At the Group level the Compliance Officer is responsible for coordinating the identification and management of the Group's compliance risk in collaboration with local Heads of Compliance in each of the subsidiaries.

Throughout its network of offices, ABG has developed written guidelines to staff on the appropriate implementation of laws, regulations, rules and standards through policies and procedures, including the Group Compliance Policy. This policy requires all subsidiaries, officers and staff to comply with all relevant laws, rules, regulations and standards of good market practice.

In the Group, compliance risks fall broadly into the following categories:

- Regulatory Compliance and Corporate Governance;
- Anti-Money Laundering and Countering Financing of Terrorism;
- International sanctions; and
- Foreign Account Tax Compliance Act.

Regulatory Compliance and Corporate Governance

At the Group level, development of Group policies for managing compliance risks in all the above categories is a continuous process, with resultant policies being systematically cascaded down to its subsidiaries, followed by development and implementation of suitable local policies consistent with local regulatory requirements. In addition, the Group has a strict Code of Conduct in place to which all employees are required to adhere at all times. The purpose of the Code of Conduct is to deter any wrongdoing and to promote ethical conduct at all times. The Code outlines the responsibilities of all members of the Group, its officers and staff, who are expected to read, understand and uphold these standards and principles at all times.

ABG has also implemented a Whistleblowing Policy, which provides a formal channel for staff to report any unethical conduct, gross mismanagement or corporate wrongdoing. Staff members are encouraged to report their concerns through specified communication channels which protect their identities, without fear of reprisal or victimisation. Reportable disclosures may include legal or regulatory wrongdoing, fraud or any other malpractice.

CORPORATE GOVERNANCE (continued)

Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT)

Risks relating to financial crime are proactively managed at the Group and subsidiary levels. The Group is committed to adherence to laws and regulations with respect to AML/CFT and to the recommendations of the Basel Committee and Financial Action Task Force which in turn are reflected in the AML/CFT policies of ABG and each of its subsidiaries. The Group has strict Know Your Customer policies which include detailed requirements for identification and verification of customers. These policies preclude all operating units from establishing a new business relationship until all relevant parties to the relationship have been identified and verified and the nature of the business they expect to conduct has been clearly established.

In line with the requirements of the CBB and Group AML Policy, Money Laundering Reporting Officers (MLROs) are appointed in all subsidiaries. The MLROs are responsible for ensuring compliance with all relevant laws, regulations and policies in respect of AML/CFT and for reviewing and monitoring customers and transactions and reporting to their respective host regulators any suspicions concerning them.

At the Group level, ABG has appointed a Group MLRO whose responsibilities include formulating, issuing and implementing the Group's AML strategies and policies on an ongoing basis, coordinating the activities of each subsidiary's MLRO, overseeing appropriate AML training for all relevant staff and reporting to the Board Audit and Governance Committee and the Board of Directors on critical money laundering issues.

International sanctions

Owing to a raft of sanctions imposed by local and international regulatory bodies, sanctions compliance is one of the primary challenges faced by banks today, particularly those operating across multiple geographies. Breaches of sanctions expose banks to significant regulatory, reputational and commercial risks, including potential financial losses.

Being mindful of such risks, the Group has a Sanctions Policy in place to ensure adherence to all relevant sanctions orders. This policy sets out various restrictions and prohibitions relating to customers and transactions which are subject to sanctions. These restrictions sometimes extend beyond the strict requirements of applicable laws in order to safeguard the Group's good reputation and standing.

The Group's strategy and policy for managing sanctions risk is determined at the Group level and implemented across all ABG's subsidiaries. Increasing attention to sanctions compliance and implementation of screening systems is being directed towards managing and minimising sanctions risk. Being mindful of its responsibilities in this regard, the Group is committed to further enhancing its sanctions risk management framework on an ongoing basis.

Foreign Account Tax Compliance Act (FATCA)

US legislation known as FATCA aimed at preventing tax evasion by US citizens and residents by hiding their assets in accounts with non-US banks became law in 2010. FATCA requires Foreign Financial Institutions (FFIs) such as ABG and its subsidiaries to enter into FFI agreements under which they agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and US owned foreign entities, or otherwise face 30% withholding tax on certain payments made to them. FFIs are also required to withhold tax on certain payments made to other FFIs that have not entered into an FFI agreement and on payments made to account holders who do not respond to requests to confirm their US person status and/or do not agree to the FFI reporting certain account related information to the IRS.

The IRS has offered Intergovernmental Agreements (IGA) Models 1 and 2 in connection with the implementation of FATCA. The Bahrain Government has announced that it expects to enter into an IGA Model 1 with the US. Some other jurisdictions where ABG subsidiaries operate have also made similar announcements. It is anticipated that an IGA would reduce the compliance costs and operational burdens of FATCA. If the IGA agreements with the US are signed in accordance with the FATCA regulations, ABG subsidiaries will only be required to report the necessary US account-related information to their nominated local authorities; otherwise, in accordance with FATCA regulations, the FFIs will be required to provide such information directly to the IRS.

Realising that FATCA regulations will affect all FFIs and their customers worldwide, ABG has made substantial investments to ensure that it will be able to adhere to the requirements of FATCA from compliance and reporting perspectives across all jurisdictions in which it operates. From the outset all necessary steps were taken to address the new legislation and to build awareness of it in all ABG subsidiaries. A Group FATCA strategy and policy has been developed and is being implemented throughout the Group. As a result, ABG and its subsidiaries are substantially ready to comply with the FATCA requirements within the established deadlines.

Group Disclosure Policy

The Group communication strategy aims to help achieve the Group's objective of keeping the market informed of material information in a timely, accurate and balanced manner. The Group's communications with the market ensures compliance with the CBB's directives as detailed in the Public Disclosure Module of its Rulebook, Volume 2, Part A and the CBB Disclosure Standards as specified under the CBB Capital Markets Regulations.

Material information is any information, financial or non-financial, relating to the business and affairs of ABG, the Group or any of ABG's subsidiaries that results in, or would reasonably be expected to result in, a significant change in the market price of the Group's shares or in the decision of a prudent investor to sell, buy or hold the Group's shares or cause to change a prudent investor's decision to transact or refrain from transacting with the Group or its units. Material information consists of, but is not limited to, both material facts and material changes relating to the business and affairs of the Group and ABG's subsidiaries.

In order for the Group to be in full compliance with the CBB disclosure requirements as specified in the CBB Rulebook, the Group will disclose all the required information in its published quarterly reviewed financial statements and its annual audited financial statements and any applicable ad hoc information requirement of the CBB from time to time.

Further, as a listed company on the BB and NASDAQ Dubai, ABG is committed to adhering on a timely basis to all periodic information dissemination requirements of the BB and NASDAQ Dubai, as stipulated in their respective regulations and directives in this respect.

Additionally, the Group will publicly disclose and broadly disseminate material information immediately upon becoming aware of circumstances or events that underlie such material information or when a decision to implement a material change is made by the Board of Directors or Executive Management of the Group.

As a listed company, ABG adheres to a strict policy which delegates to certain specific individuals the authority to issue press releases or make announcements to the public, financial or non-financial, about the Group. Only the following persons are authorised to make public information via the media:

- Chairman of the Board of Directors
- Vice-Chairmen of the Board of Directors
- President & Chief Executive

In the event that any of the abovementioned persons is requested to make statements relating to the financial statements, financial indicators or general financial performance of the Group, that person will consult and/or confirm with the Head of Financial Control with regard to the accuracy, timeliness and reliability of the information prior to making any public announcements.

The Group distributes its Financial Statements and Prudential Returns to the CBB, BB and NASDAQ Dubai on a quarterly and an annual basis, following which the Group makes this information available on its website.

Press releases are posted on the Group's website and published in a minimum of one local newspaper either in Arabic or in English. Persons authorised by the Group to make public disclosures will not make any announcement on a one-to-one basis before disseminating the information on the Group's website or in local newspapers as appropriate.

The Group has in place an effective framework for dealing with complaints received from its shareholders and other stakeholders. Different channels have been established to enable communication with investors, including through the offices of the Registrar, an online enquiry centre on the Group's website and dedicated telephone and facsimile lines. All complaints received are transmitted to the concerned department, Executive Management and the Board. In accordance with the CBB's disclosure requirements, the Group maintains at least the previous three years' financial performance information on its website.

Regulations

The Group complies with all the regulatory requirements governing Islamic Banks issued by the CBB, which include, inter alia, regulations governing the Group's capital adequacy, asset quality and risk management, liquidity and fund management and corporate governance.

The CBB as the home supervisor sets and monitors ABG's capital requirements on both a consolidated and an unconsolidated basis, while ABG's banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements.

The CBB requires each Bahrain-based bank or banking group to maintain a minimum ratio of total capital to on- and off-balance sheet risk-weighted assets of 8% on a single bank basis and 12% on a consolidated basis, which requirement exceeds the 8% minimum ratio guideline of the Basel Committee on Banking Supervision under its 1988 Capital Accord.

A new Capital & Accord (Basel II) announced by the Basel Committee in replacement of the 1988 Accord is designed to achieve a more sophisticated degree of risk differentiation in establishing the amount of capital that banks should allocate to different categories of their credit risk exposure, in addition to including capital charges for operational risk and market risk. Regulators have additionally been given wider discretion to increase or decrease capital requirements for banks according to their individual circumstances. The new rules also require greater transparency of published information relating to bank risk management.

Subsequent to these developments, in 2010 global banking regulators agreed on a further package, known as Basel III, which sets a new minimum key capital ratio requirement of Tier One capital to assets of 4.5%, together with a buffer of a further 7.0%, failure to achieve which will result in banks facing restrictions on payment of their dividends and discretionary bonuses. As a second measure under Basel III, a new 5.0% minimum liquidity coverage ratio was subsequently introduced. These measures are to be implemented gradually over a period extended to 2019.

The Group took all necessary steps to achieve in time the required degree of sophistication in risk assessment to enable it to comply with the requirements of Basel II as stipulated by the CBB. It has adopted the Basic Indicator Approach for operational risk and the Standardized Approach for credit and market risk under the CBB's Rulebook and has been adhering to the requirements of the CBB

CORPORATE GOVERNANCE (continued)

under Basel II since July 2007. It is also set to comply with the Basel III requirements when they are fully introduced.

Pursuant to the Group's Compliance Policy, which was approved and adopted by the Board of Directors in November 2009, as mentioned earlier ABG has appointed a Compliance Officer, whose role is to assist management to ensure the Group's adherence to the Group Compliance Policy, in particular that all Group activities are conducted in conformity with all applicable laws and regulations and in accordance with best practice.

Financial Performance Monitoring

Executive Management has in place various measures that help monitor and control the activities of the Group worldwide. A comprehensive financial consolidating procedure exists and is working effectively, whereunder all subsidiaries submit their financial data in a format that is compatible with Islamic Accounting Standards issued by AAOIFI and with International Financial Reporting Standards (IFRS). These are consolidated quarterly and a consolidated set of financial results is produced. Additionally, subsidiaries submit a monthly return to Group headquarters providing details of their financial performance, measured against approved budgets.

Related Party Transactions

Dealings with persons or entities connected with the Group (including directors and shareholders) are called Related Party Transactions. The Group treats all such transactions at arms length and requires that they have the specific approval of the Board. If a director is an interested party he is required to abstain from voting on the respective matter. The Related Party Transactions pertaining to 2014 are reflected in Note 24 to the Consolidated Financial Statements.

REMUNERATION POLICY AND RELATED DISCLOSURES

The Bank's total compensation approach, which includes the variable remuneration policy, sets out the Banks's policy on remuneration for Directors and senior management and the key factors that are taken into account in setting the policy.

During the year, the Bank adopted regulations concerning Sound Remuneration Practices issued by the Central Bank of Bahrain and has proposed revisions to its variable remuneration framework. The revised policy framework and incentive components are subject to the approval of the shareholders in the upcoming Annual General Meeting. Once approved, the policy will be effective for the 2014 annual performance incentives and will be fully implemented for future periods.

The key features of the proposed remuneration framework are summarised below.

Remuneration strategy

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Bank's variable remuneration policy will be driven primarily by a performance based culture that aligns employee interests with those of the shareholders of the Bank. These elements support the achievement of our objectives through balancing rewards for both short-term results and long-term sustainable performance. Our strategy is designed to share our success, and to align employees' incentives with our risk framework and risk outcomes.

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

1. fixed pay;
2. benefits;
3. annual performance bonus; and
4. the long term performance incentive plan

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

The Bank's remuneration policy in particular, considers the role of each employee and has set guidance on whether an employee is a Material Risk Taker and/ or an Approved Person in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within the Bank and an employee is considered a Material Risk Taker if they are the Head of a significant business line or any individuals within their control who has a material impact on the Bank's risk profile.

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

BARC role and focus

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

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

- Approve, monitor and review the remuneration system to ensure the system operates as intended.
- Approve the remuneration policy and amounts for each Approved Person and Material Risk-Taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that earn same short-run profit but take different amount of risk on behalf of the bank.
- Ensure that for Material Risk Takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and back testing results before approving the total variable remuneration to be distributed including salaries, fees, expenses, bonuses and other employee benefits.
- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The BARC will question payouts for income that cannot be realized or whose likelihood of realization remains uncertain at the time of payment.
- Ensure that for approved persons in risk management, internal audit, operations, financial control and compliance functions the mix of fixed and variable remuneration is weighted in favor of fixed remuneration.
- Recommend Board member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

The aggregate remuneration paid to BARC members during the year in the form of sitting fees amounted to US$ 48,000, (2013: US$ 45,000). The other details about BARC members can be found earlier in the Corporate Governance Section of the annual report.

External consultants

Consultants were appointed during the year to advise the Bank on amendments to its the variable remuneration policy to be in line with the CBB's Sound Remuneration Practices and industry norms. This included assistance in designing an appropriate Share-based Incentive Scheme for the Bank.

Scope of application of the remuneration policy

The remuneration policy has been adopted on a bank-wide basis subject to the approval of AGM.

Board remuneration

The Bank's Board remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies Law, 2001. Board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

Variable remuneration for staff

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

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

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

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

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

CORPORATE GOVERNANCE (continued)

The Bank uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realized and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the BARC.

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

Remuneration of control functions

The remuneration level of staff in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favor of fixed remuneration. The variable remuneration of control functions is to be based on function-specific objectives and is not be determined by the financial performance of the business areas they monitor.

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

Variable compensation for business units

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

Risk assessment framework

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

The Bank's BARC considers whether the variable remuneration policy is in line with the Bank's risk profile and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account for all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the bank's current capital position and its ICAAP.

The bonus pool takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

The size of the variable remuneration pool and its allocation within the bank takes into account the full range of current and potential risks, including:

(a) The cost and quantity of capital required to support the risks taken;
(b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
(c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The BARC keeps itself abreast of the Bank's performance against the risk management framework. The BARC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned.

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against prior risk assumptions.

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

- There will be considerable contraction of the Bank's total variable remuneration.
- At an individual level, poor performance by the Bank will mean individual KPIs are not met and hence employee performance ratings will be lower
- Reduction in the value of deferred shares or awards
- Possible changes in vesting periods and additional deferral applied to unvested rewards

- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous variable awards may be considered.

The BARC, with the Board's approval, can rationalize and make the following discretionary decisions:

- Increase/reduce the ex-post adjustment
- Consider additional deferrals or increase in the quantum of non-cash awards
- Recovery through malus and clawback arrangements

Malus and Clawback framework

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

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

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

- Reasonable evidence of willful misbehavior, material error, negligence or incompetence of the employee causing the Bank/the employee's business unit to suffer material loss in its financial performance, material misstatement of the Bank's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehavior or incompetence during the concerned performance year.
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Bank during the concerned performance year.

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

Components of Variable remuneration

Variable remuneration has following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of 3 years.
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year.
Deferred shares	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of 3 years.

All deferred awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six month retention period from the date of vesting. The number of equity share awards is linked to the Bank's share price as per the rules of the Bank's Share Incentive Scheme. Any dividend on these shares is released to the employee along with the shares (i.e. after the retention period).

Deferred compensation

All employees earning over BHD 100,000 in total compensation shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	Deferral	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	immediate	-	-	Yes
Upfront shares	-	immediate	6 months	Yes	Yes
Deferred cash	0%	Over 3 years	-	Yes	Yes
Deferred share awards	60%	After 3 years	6 months	Yes	Yes

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

CORPORATE GOVERNANCE (continued)

Details of remuneration paid

(a) Board of Directors

	2014	2013
• Sitting Fees	**US$ 456,000**	US$ 423,000
• Remuneration	**US$1,500,000***	US$ 1,000,000
• Others	**US$ 214,655**	US$ 150,692

**To be approved in the forthcoming AGM in March 2015*

Others includes the reimbursement of Tickets and per diem for attending Board of Directors and Board Committees meetings.

(b) Employee remuneration

Total fixed remuneration for Approved Persons and Material Risk Takers affected by the policy amounts to USD 3,169,088 (2013: USD 2,762,679) and the number of persons affected: 7 (2013: 6). The total variable remuneration for 2014 will be finalized and approved by shareholders in the forthcoming AGM in March 2015 (2013: cash USD 1,466,170, deferred: Not applicable).

(c) Deferred awards

Selected members of management in the Bank's subsidiaries are entitled to deferred variable remuneration under a Management Incentive Programme based on pre-defined objectives and thresholds of performance. Annual amounts of such variable remuneration, according to the said programme are used to purchase shares in ABG, which are deferred over a three year period, with annual vesting. Total amounts of deferred variable remuneration amounted to USD 171,443 (2013: USD 157,300).

(d) Severance pay - Nil (2014- 2013)

RISK MANAGEMENT

The Group is committed to complying with internationally established principles and policies in relation to risk management. In particular the Group fully subscribes to the guiding principles of risk management for Islamic financial services institutions set down by the Islamic Financial Services Board and the need for a comprehensive risk management and reporting process. ABG's Head of Credit and Risk Management is responsible for formulating and monitoring the Group's policies relating to all aspects of risk, developing the framework for risk measurement and coordinating with the Group subsidiaries all necessary steps for adhering to the requirements of Basel II and, where and when applicable, Basel III, under the CBB rules. He is also responsible for introducing and implementing risk measurement software, monitoring the Group's compliance with risk measurement standards and providing Group management with reports on the various risks.

Risk management is an integral part of the Group's decision making process. The Board of Directors defines and sets the Group's overall levels of risk appetite, risk diversification and asset allocation strategies including the policies regarding Related Party Transactions, their reporting and approval. The Management Risk Committee and other executive committees guide and assist with overall management of the Group's balance sheet risks. The Group manages exposure by setting limits approved by the Board of Directors. Risk policies and processes to mitigate the risks are regularly reviewed.

The Group's risk management has the following objectives:

a. unified Groupwide risk management with the ultimate aim to enable the Group to calculate risk adjusted return on capital;
b. inculcation of a professional risk management culture throughout the Group with a prudent, disciplined approach to risk-taking based on comprehensive Groupwide policies, processes and limits;
c. professionally qualified staff and ongoing credit training;
d. investing in technology and systems enabling best practice risk management;
e. throughout the Group, strict segregation of duties and reporting lines between personnel transacting business and personnel processing that business;
f. strict compliance with all Shari'a and legal requirements and regulatory directives; and
g. maintaining clear, well documented policies via a Group Risk Management Manual and a Credit and Risk Management Manual in each of the subsidiaries, incorporating the policies and guidelines of the Group in addition to the local requirements.

Each of ABG's subsidiaries is managed by its respective Board of Directors. Group subsidiaries follow documented credit policies and procedures which as stated above reflect Groupwide policies and thus ensure that sound risk management is in place in all ABG's subsidiaries.

A consolidating system for the calculation of capital adequacy, taking into account credit, market and operational risk, all in accordance with Basel II requirements, is in operation, under which the required data is retrievable automatically at Head Office. Preparations are well advanced for upgrading this system to meet Basel III requirements starting in 2015. Groupwide implementation of the operational risk management systems, begun in 2013, is continuing at each subsidiary.

(All figures in US Dollars unless otherwise stated)

The Group has continued to maintain momentum towards achieving optimal risk management policies, practices and procedures, pursuing five key objectives:

1. Continuous improvement in credit and risk management practices and intensified efforts on collections, recoveries and settlement of outstanding debts to bring about an ongoing improvement in the Group's non-performing or impaired assets (NPA) ratio and provisioning coverage.
2. All subsidiaries ensure that their NPA provisioning policies are in line with both Group policies and local regulatory requirements.
3. Subsidiaries continue to strive to ensure a high degree of cooperation between their business arms and risk management departments through hiring and training of credit and risk management staff as an ongoing priority in each unit.
4. Each subsidiary has its own approved Credit and Risk Management Manual, covering all relevant risks to which it is subject, which accords with Group policies and procedures.
5. All subsidiaries submit timely quarterly risk management reports to Head Office which fully meet regulatory requirements; the contents of these reports are continuously being expanded so as to provide Head Office with increasingly comprehensive data to meet all its internal requirements.

A standard risk management framework has been established across the Group, reflected in operational manuals that closely adhere to Group policy as regards all the major categories of risk faced by the Group in carrying out its business: Credit, Liquidity, Market (including Equity, Profit Rate and Foreign Exchange risk), Operational and Shari'a Compliance risks. Each of these major risks is discussed below.

Credit Risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. It applies to the Group in its management of the financing exposures arising out of receivables and leases (for example, Murabaha and Ijarah) and working capital financing transactions (Salam, Istisna'a or Mudaraba).

Each Group subsidiary has in place a framework for credit risk management that includes identification, measurement, monitoring, reporting and control of credit risks. Each subsidiary controls credit risk through the process of initial approval and granting of credit, subsequent monitoring of counterparty creditworthiness and the active management of credit exposures. Authority to approve credits is delegated by the subsidiary's Board of Directors to committees entrusted with the task of credit assessment and evaluation, under specific credit policies and operational procedures in place in that subsidiary.

Mitigation of credit risk is chiefly achieved through the obtaining of various forms of collateral where this is deemed necessary.

Each subsidiary maintains an internal audit department responsible for carrying out reviews of credit exposures to counterparties and assessing their quality and adherence to laid down approval procedures. Each subsidiary also maintains policies and procedures in covering case by case approval of Related Party Transactions.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal or stressed circumstances.

ABG and its subsidiaries each has in place a liquidity management framework, taking into account its liquidity exposures in respect of its current and savings accounts, deposits from banks and other financial institutions and its restricted and unrestricted investment accounts, so as to ensure that it maintains liquid assets at prudential levels so that cash can quickly be made available to honour all its obligations. Liquidity management also recognises the impact of potential cash outflows arising from irrevocable commitments to fund new assets, as well as the potential risk impact of withdrawals by large single depositors, ensuring that there is no reliance on one customer or small group of customers. In addition to its own internal liquidity management policies, each subsidiary is further required to maintain cash deposits with its respective Central Bank equal to a percentage of its deposits as directed by that Central Bank – in most cases 20%. ABG additionally holds substantial liquid funds which are earmarked and available for its subsidiaries in the unlikely event that they should require assistance. Liquidity management reporting conforms to all local regulations.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

Each Group subsidiary has in place appropriate strategies, risk management and reporting processes in respect of the risk characteristics of equity investments, including Mudaraba, Musharaka and other investments. Based on Group policies, each subsidiary ensures that its valuation methodologies are appropriate and consistent, and assesses the potential impact of its methods on profit calculations and allocations mutually agreed between that subsidiary and its partners. Further, each subsidiary has defined and established appropriate exit strategies and risk management and reporting processes in respect of its equity investment activities.

Profit Rate Risk or Rate of Return Risk

Profit rate risk or rate of return risk is the risk that the Group will incur a financial loss as a result of a mismatch in the profit rate on the Group's assets and unrestricted investment accounts. The Group is not liable to pay any predetermined returns to investment account holders, although it does apply appropriate

CORPORATE GOVERNANCE (continued)

income smoothing techniques to ensure that profits are fairly distributed to the investment account holders.

Foreign Exchange Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another over a period of time, leading to an adverse impact on the Group's earnings or shareholders' equity. The Group is exposed to foreign exchange rate risk in that the value of a financial instrument, or its net investment in its foreign subsidiaries, may fluctuate due to changes in foreign exchange rates. The Group's significant net foreign currency exposures as at 31 December 2014 are detailed in Note 27 to the Financial Statements.

Operational Risk

Operational risk is the risk of financial loss or damage resulting from inadequate or failed internal processes, people and systems or from external events.

Management of risk associated with the carrying out of the Group's operations is through internal procedures and monitoring mechanisms, while management of legal risk is through effective consultation with internal and external legal counsel. Other kinds of operational risk are managed by ensuring that trained and competent people and appropriate infrastructure, controls and systems are in place to ensure the identification, assessment and management of all substantial risks.

The Group is also exposed to risks relating to its fiduciary responsibilities towards fund providers. Fiduciary risk arises from the failure to perform in accordance with explicit and implicit standards applicable to an Islamic bank's fiduciary responsibilities, leading to losses in investments or failure to safeguard the interests of the investment account holders. Group subsidiaries have in place appropriate mechanisms to safeguard the interests of all fund providers. Where investment account holders' funds are commingled with an ABG subsidiary's own funds, the respective subsidiary ensures that the bases for asset, revenue, expense and profit allocations are established, applied and reported in a manner consistent with the Group's fiduciary responsibilities.

As mentioned above, Group policy dictates that the operational functions of booking, recording and monitoring of transactions are carried out by staff independent of the staff initiating the transactions. Group subsidiaries have primary responsibility for identifying and managing their own operational risks. Each subsidiary is guided by policies, procedures, and controls that are relevant for each function. Internal control policies and procedures dictate the segregation of duties, delegation of authorities, exceptions reporting, exposures management and reporting, and reconciliations, and are based on the submission of timely and reliable management reporting.

Separate and independent Internal Control units carry out ongoing monitoring of day-to-day procedures and ensure adherence to key control functions. As the Group is continuously updating its technology base, having replaced its legacy systems with new, modern hardware and systems, it is now able to integrate required control functions into its new processing systems.

Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material or financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, reporting requirements, codes of conduct and standards. The landscape for compliance has changed substantially in recent years and as a result ABG and its subsidiaries are continuously enhancing their compliance risk management framework, as explained above.

Shari'a Compliance Risk

Shari'a compliance risk arises from the failure to comply with the rules and principles of Shari'a and in this respect is therefore akin to reputation risk. It also includes the risk of legal or regulatory sanctions that the Group or its subsidiaries may suffer as a result of failure to comply with the requirements of laws and regulations. As mentioned above, the Group has in place a Compliance Policy that provides for the assessment of compliance risks, the implementation of appropriate controls, monitoring of effectiveness, and correction and eradication of exceptions. Group subsidiaries have in place systems and controls, including their respective Shari'a Supervisory Boards, to ensure compliance with all Shari'a rules and principles. In accordance with CBB regulations and AAOIFI Standards, the Group has been certified by the Shari'a Supervisory Board to be in compliance with Shari'a Standards and Principles.

CAPITAL MANAGEMENT/CAPITAL ADEQUACY

Capital is managed at ABG with a view to meeting the capital maintenance requirements directed by the CBB and achieving optimum utilisation in the course of carrying out its business, in accordance with its predetermined risk appetite and intended risk profile and with the ultimate aim of maximising shareholders' returns. Capital management includes pro-actively making appropriate and necessary adjustments to reflect changes in the economic environment or in the degree or nature of risk associated with the Group's activities, including adjustment to its dividend policy, issue of Tier 1 or Tier 2 securities by way of public issue or private placement, etc.

Optimum capital management therefore addresses such crucial issues as:

- ensuring that adequate capital is held at all times to meet unexpected calls occasioned by such events as sudden withdrawals by depositors, earlier than expected drawdown of facilities, or unexpected losses;
- achieving the Group's return on capital objectives;
- meeting capital adequacy ratio targets and regulatory imperatives; and
- maintaining the Group's strong credit rating.

The Group's capital adequacy ratio as at 31 December 2014 was 16.01%, comfortably above the CBB's minimum regulatory requirement of 12%.

Each of ABG's banking subsidiaries is directly regulated by its own home regulator, which stipulates a minimum capital adequacy ratio in respect of that subsidiary. ABG ensures that each subsidiary adheres to these local capital adequacy requirements.

INFORMATION TECHNOLOGY

The role of the Head Office IT Steering Committee is to govern and support IT strategies, policies, projects and initiatives across all ABG subsidiaries and to ensure that they are in line with the Group's overall strategic aims as well as each subsidiary's own strategies. The Group's short, medium and long term IT strategies are now well established, standardised around a few carefully chosen core banking solutions that have now been successfully implemented. The final stage of the Group's IT strategy and governance framework, developed in collaboration with the subsidiaries and with the assistance of a leading advisory firm, is now set for implementation.

ABG's initial web-based financial consolidation and reporting application is now widely used as a corporate performance measurement solution, utilising Key Performance Indicators (KPI) based on Group strategic objectives. It is used in setting performance benchmarks for each subsidiary and for monitoring their individual performances on a continuous basis and will gradually be integrated into all core system applications implemented throughout the Group.

The monthly, quarterly and annual consolidations, currently performed through the financial consolidation module, enables the collection, processing, reporting and analyzing of data in multiple currencies as well as reporting on the effects of currency fluctuations. ABG's Financial Control Department can now consolidate data from many business perspectives, for instance at the subsidiary level, by geographical region or Islamic product line, as well as by multiple structure versions such as year to date, current year's results, previous year's results and so on.

Following an intensive evaluation of the Group's requirements for risk management systems from both Islamic and regulatory perspectives, the Risk Management team selected the most suitable system. The modules relating to operational risk management and capital adequacy calculation based on credit, market and operational risk are now live at the Head Office and at Al Baraka Islamic Bank Bahrain, with implementation planned at the remaining subsidiaries throughout 2015 and beyond.

Careful selection by the IT Steering Committee of an approved list of core banking system solutions was followed by each subsidiary arriving at its own system choice to suit its individual requirements.

Five subsidiaries – Al Baraka Bahrain, Al Baraka South Africa, Al Baraka Lebanon, Al Baraka Pakistan and Al Baraka Egypt – opted for the Equation core banking system from Misys. Al Baraka Bahrain achieved full implementation in 2009 followed by Al Baraka Lebanon and Al Baraka South Africa in 2011. Al Baraka Egypt went live with Equation in 2012 and Al Baraka Pakistan, having consolidated all its branches on AutolBanker, is in course of planning the switch to Equation.

Implementation of Al Baraka Jordan's choice of the ICBS (NIBRAS) Banking System as its core banking system was achieved in 2011 with full project completion in 2012. Al Baraka Algeria and Al Baraka Sudan, who selected iMAL from Path Solutions as their new core banking system, both went live with the application and will achieve project sign off for all other optional modules during 2015.

Al Baraka Tunisia successfully upgraded its existing core banking system (TEMENOS-T24), to incorporate e-banking, mobile and SMS services. Al Baraka Turkey, who historically employed an in-house solution, has defined a strategy to move to a new core application (InterNext from InterTech) as part of an expansive "Bank Transformation" project (SIMURG). Finally, Al Baraka Syria, who selected iMAL, went live with the application and achieved implementation of their choice of optional modules in early 2014.

In 2009 the Group IT Department launched an initiative to achieve "Business Excellence through IT" in partnership with a leading IT advisory firm. Important milestones have been achieved under this initiative, which has increased the value of IT to the business and the level of collaboration among Group subsidiaries. With the new core applications having been fully implemented across the Group and Disaster Recovery centres having been established at each subsidiary, ABG subsidiaries are now fully protected against any sudden, unexpected service loss.

AL BARAKA BANKING GROUP GLOBAL HEAD OFFICES

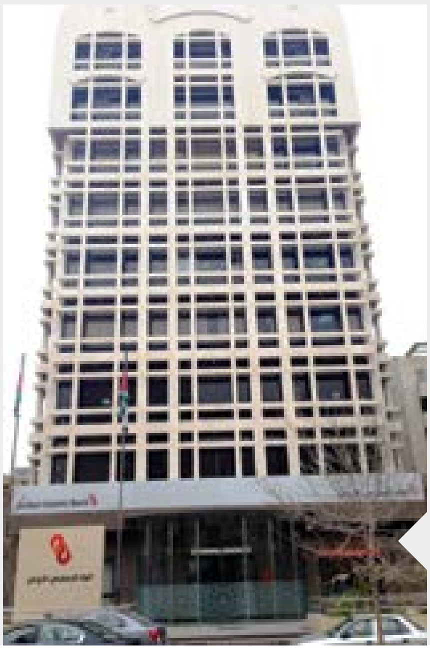
AL BARAKA BANKING GROUP MAIN HEADQUARTERS*

AL BARAKA BANK SYRIA HEAD OFFICE*

AL BARAKA BANK LEBANON HEAD OFFICE*

AL BARAKA BANK SUDAN HEAD OFFICE*

AL BARAKA BANK EGYPT HEAD OFFICE*



JORDAN ISLAMIC BANK HEAD OFFICE

Likely to be opened in 2015/2016

AL BARAKA TÜRK
PARTICIPATION BANK
HEAD OFFICE

AL BARAKA BANK
(PAKISTAN) LIMITED
HEAD OFFICE

AL BARAKA BANK
BANK TUNISIA
HEAD OFFICE*

AL BARAKA BANK
LIMITED
SOUTH AFRICA
HEAD OFFICE

BANQUE AL BARAKA
D'ALGERIE
HEAD OFFICE*

Likely to be opened in 2015/2016

CORPORATE SOCIAL RESPONSIBILITY

The success of the contemporary Islamic banking and finance movement owes much to the contribution and patronage of Shaikh Saleh Kamel, the founder of Al Baraka Banking Group. Although the Group is young as a single legal entity, its antecedents go back to the late 1960s, when Shaikh Kamel directed the devising of Islamic contracts for use in his business operations when dealing with conventional banks (there being no Islamic banks in existence at that time), which was his preferred route for doing business with them. This early insistence on strict adherence to fundamental Islamic principles was quickly overtaken by the next stage of development when, in the early 1970s, Shaikh Kamel oversaw the establishment across the Arab world of a string of Islamic financial institutions bearing the Al Baraka name. Today, Al Baraka Banking Group brings together under one unified grouping the accumulated experience of 11 such banks which have been delivering Islamic products and services for over three decades. We at ABG are proud to look back on this heritage, whilst keenly looking ahead to the next stage in our development, expanding into new regions and new markets, building an ever-widening and stronger customer base, all the time following the ideals of Islamic banking and finance.

From inception we at Al Baraka have, through our founding ethos, embodied the spirit of Social Responsibility in our corporate view, as encapsulated in:

Our Vision Statement:

"We believe society needs a fair and equitable financial system: one which rewards effort and contributes to the development of the community"

Our Mission Statement:

"To meet the financial needs of communities across the world by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success".

...and our central philosophy as embodied in the concept of ***Partnership***, under which we hold that our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff, leading to our promise:

"Your Partner Bank".

What is Social Responsibility?

Social Responsibility is, in essence, an approach towards all aspects of an organisation's business activities with the aim of meeting the needs of the organisation, its shareholders, employees and customers whilst sustaining the resources – human and natural – that will be needed over the long term. To paraphrase the Union of Arab Banks, it is "the way in which firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the enterprise, create wealth and improve society".

Social Responsibility aims to create long-term economic growth through the careful management of natural resources (e.g. reduction of energy usage, waste management, etc.), development of human resources (through training, personal development and career and succession planning), and the general enhancement of the quality of life throughout society.

The concept of Social Responsibility fits easily with the ethics of Islam and, therefore, with Al Baraka's traditional principles. As members of a banking group founded on Islamic principles and values, we at Al Baraka believe that we have a particular obligation to society, through patronage and sponsorship of educational and social projects, to enhance the living conditions and quality of life of needful individuals in the local communities of which we are part. In meeting this commitment to society we make all possible effort to apply one of the important philosophical pillars of Islamic banking: the concept of E'mar Al Ardh or construction, or development, of land, which means adding tangible value to assets (whether natural or human).

Our philosophy, in essence, is that Allah grants mankind the capacity to inherit the land on this earth and therefore that mankind is not the owner of wealth but is entrusted with it. As the purpose of mankind is to construct, embellish and build on this earth, we are therefore ordained to create jobs for others. Thus, the wealth bestowed upon us belongs to Allah and, therefore, we must apply Shari'a rules related to the ownership of wealth in creating the wealth and in investing, exchanging, growing and spending the wealth. This concept has a direct relevance to the development of society and its social and economic progress and we seek to apply it through active investment mediation, which complements real and value-added production, and through the exchange of commodities and services, which enables us to offer practical alternatives to those financial intermediaries that provide no benefit to society at large.

We consider the role of Social Responsibility in our organisation to be essential to the application of the principles derived from divine power and on which our business activities in all the countries in which we operate are based. All our subsidiaries embrace Islamic ethical principles and apply them to their banking operations and services.

The Al Baraka Social Responsibility Programme

To these ends, we have established the "*Al Baraka Social Responsibility Programme*", the first such programme to be introduced by any Islamic banking and financial services institution.

The scope of the Al Baraka Social Responsibility Programme encompasses the following initial ad minima features of its business model:

1. Assessing the social impact of ABG's business at the local and transactional levels.
2. Investing in and supporting socially responsible businesses.
3. Supervising and monitoring development in the Al Baraka Microfinance programme.
4. Supporting the local economies.
5. Supporting academic institutions and centres of excellence.
6. Promoting Islamic classical arts and literature.
7. Promoting Islamic banking and finance scholarly works.
8. Investing in people.
9. Nurturing and encouraging local talent.
10. Promoting programmes that protect the environment by adopting various conservation strategies, such as reduction of paper usage, energy and water conservation.
11. Taking steps to develop and enhance Al Baraka's social responsibility reputation.

A Board Social Responsibility Committee has been formed, to oversee the activities of the Management Social Responsibility Committee, whose role inter alia is to:

1. Keep the Al Baraka Social Responsibility Programme current with the most recent international research and popular strategies to enhance the objectives of Shari'a.
2. Manage and supervise the Groupwide implementation of the Programme.
3. Ensure that the Programme remains one of the leading programmes within the Islamic banking and finance industry in general, by developing new research in Shari'a and economic analyses of the subject.
4. Provide appropriate guidance for the implementation of the Programme.
5. Compile, consolidate and publish annual and other periodic social responsibility reports.
6. Develop and update procedures that may result in enhancing the adequacy and effectiveness of the Programme at Group level.
7. Exercise all necessary powers in relation to the Programme to achieve the objectives and remain consistent with the rationale of the Committee.
8. Coordinate with other local and international social responsibility programmes.

A detailed report of the Group's activities and progress in the area of Social Responsibility over the past year will be published annually and may also be found on the ABG website. The report highlights ABG's commitment to advancing and expanding its Social Responsibility Programme, which comprises:

1. *Al Baraka Philanthropic Programme*, which covers promotion and funding of a broad spectrum of activities ranging from the arts, literature and culture, scholarly and literary works, facilitating people with special needs and in their own efforts through vocational training.

2. *Al Baraka Economic Opportunities & Social Investments Programme*, covering community development including financing and investments in projects supporting affordable housing and a spectrum of healthcare and related activities, micro, small and medium sized enterprises, local and other industries.

3. Al Baraka Qard-Hassan Programme, covering benevolent loans extended on a charitable or goodwill basis.

4. *Al Baraka Time Commitment Programme*, under which ABG units commit a certain number of hours of their officers' time in social and educational contributions to the local community.

UNIFIED SHARI'A SUPERVISORY BOARD REPORT

For the year ended 31 December 2014

In the name of Allah, The Beneficent, The Merciful, Ever Merciful
Praise be to Allah and peace be upon our Prophet Mohamed, His Apostles and Companions

To: Al Baraka Banking Group Shareholders
May peace and Allah's Mercy and Blessings Be upon You

In accordance with Article (58) of the Articles of Association of Al Baraka Banking Group, we are required to submit the following report:

First:
We have conducted six meetings during 2014, one of which was conducted at the premises of Al Baraka Banking Group and two in the premises of the Group's subsidiaries in which we met the subsidiaries' Management, Shari'a Board members, Shari'a auditors and employees and clients and conducted several small seminars and replied to many of the employees and customers' inquiries. In addition, we have made sure that the operations of the transactions are conducted in compliance with Shari'a rules and principles, the other three meetings were conducted at our premises in Jeddah, in which we studied Shari'a audit reports prepared by the Group's Shari'a Audit for the year ended 31 December 2014 and gave few Shari'a related comments on those reports. These reports were rectified through coordination between Shari'a Audit and the relative local subsidiaries' Shari'a Boards. In addition, the executive committee of the Unified Shari'a Supervisory Board conducted several meetings in which a number of commercial contracts and agreements signed by the Financial Institutions Department in the Group with the subsidiaries and other financial institutions and organizations has been reviewed.

Second:
We have reviewed the principles applied by the Group and reviewed the 2014 Shari'a reports issued by the Group Units' Shari'a Supervisory Boards. We have also reviewed their financial statements when needed. In addition, we examined the Group's financial position as of 31 December 2014 and Statement of Income and their notes for the year then ended. We have queried from some of the Technical's on the points that need explanation and statement. We have also reviewed the process of calculating Zakah in accordance with the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by Al Baraka Symposium 1/31 and by the Unified Shari'a Supervisory Board.

Third:
The Group and Units' management are responsible for the execution and implementation of the Unified Shari'a Supervisory Board resolutions and to bring to the attention of the Unified Shari'a Supervisory Board any transactions or issues that require Shari'a approval. The Unified Shari'a Supervisory Board is responsible for supervising the implementation of the resolution from a Shari'a point of view and issue opinion based on the Group and Units' Shari'a reports and financial statements.

The Unit's Shari'a Supervisory Boards, as is clear from their report, have supervised the Units' business activities including examining on test basis documentations and procedures applied by the Group and its Units.

The Units' Shari'a Supervisory Boards, as is clear from their reports, planned and performed reviews so as to obtain all the information and explanations they considered necessary in order to provide them with sufficient evidence to provide reasonable assurance that the Group and its Units have not violated Shari'a Rules and Principles.

In our opinion:

1. The Contracts, transactions and dealings entered into by the Group and its Units during the year ended 31 December 2014 are made in compliance with Shari'a Rules and Principles.

2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that have been approved by the Units' Shari'a Supervisory Boards in accordance with Shari'a Rules and Principles.

3. All earnings realized from sources or by means prohibited by Islamic Shari'a Rules and Principles have been committed by the Management to dispose it off to Charitable Causes.

4. The attached Zakah calculation was prepared in accordance with the provisions and principles of Islamic Shari'a according to the Net Invested Fund Method in accordance to the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by the

Unified Shari'a Supervisory Board. Since the Group and the Units are not empowered to pay Zakah, shareholders should pay their share of Zakah. The Zakah per share is 0.60 US cents. In case of unavailability of liquidity, it is allowed to postponed the Zakah and become a debt until the liquidity become available.

Praise be to Allah

Issued on 19 Rabi'a Al Thani 1436 H, corresponding to 8 February 2015 AD.

Shaikh Dr. Abdul Sattar Abu Ghudah
Chairman

Shaikh Abdulla bin Sulieman Al Mannea
Member

Shaikh Dr. Abdullatif Al Mahmood
Member

Shaikh Dr. Abdulaziz bin Fowzan Al Fowzan
Member

Dr. Ahmed Mohiyeldin Ahmed
Member

ZAKAH CALCULATION FOR THE YEAR ENDED 31 DECEMBER 2014

	US$ '000
Equity Attributable to Shareholders	1,338,079
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Itqan Capital	(196,945)
Net Zakatable Equity Attributable to Shareholders	1,141,134
Less:	
Musharaka underlined by unzakatable assets	(32,152)
Investment in Islamic Sukook underlined by unzakatable assets	(271,006)
Ijarah Muntahia Bittamleek	(401,156)
long-term investment in real estate	(45,223)
Properties and equipment	(202,471)
Intangible assets	(143,331)
Investment in Associates	(34,103)
Prepayments	(13,286)
Deferred tax asset	(28)
Add:	
Shareholders share on Zakatable Assets by Associates	9,758
Borrowing to finance Unzakatable Assets	181,091
Sale of long-term investment in real estate during the year	198
Deferred tax liability	6,055
Employees' end of service benefit	55,578
ZAKATABLE AMOUNT	**251,058**
Zakah Percentage	2.5775%
TOTAL ZAKAH DUE	**6,471**
Number of Shares (thousands)	1,085,608
ZAKAH PER SHARE (US$ CENTS)	**0.60**

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF AL BARAKA BANKING GROUP B.S.C.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated statement of financial position of Al Baraka Banking Group B.S.C. ("the Bank") and its subsidiaries ("the Group") as of 31 December 2014, and the related consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders/sukukholders for the year then ended. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, the results of its operations, its cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders/sukukholders for the year then ended in accordance with Financial Accounting Standards issued by AAOIFI.

REPORT ON OTHER REGULATORY REQUIREMENTS

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

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

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association having occured during the year ended 31 December 2014 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

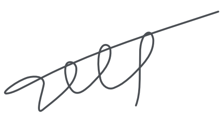
Ernst + Young

Partner's registration no: 45
22 February 2015
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 US$ '000	2013 US$ '000
ASSETS			
Cash and balances with banks	3	**5,011,262**	4,797,487
Receivables	4	**11,999,547**	10,818,219
Mudaraba and Musharaka financing	5	**1,549,786**	1,192,125
Investments	6	**2,580,034**	2,402,830
Ijarah Muntahia Bittamleek	7	**1,494,799**	942,048
Property and equipment	8	**379,323**	405,880
Other assets	9	**448,838**	408,970
TOTAL ASSETS		**23,463,589**	20,967,559
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		**4,509,312**	4,249,181
Due to banks		**1,211,493**	1,095,868
Long term financing	10	**655,669**	540,680
Other liabilities	11	**872,700**	698,999
Total Liabilities		**7,249,174**	6,584,728
EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	**14,139,792**	12,399,444
OWNERS' EQUITY	13		
Share capital		**1,093,869**	1,048,291
Treasury shares		**(8,261)**	(8,123)
Share premium		**17,288**	16,753
Reserves		**147,621**	131,684
Cumulative changes in fair values		**3,073**	(2,380)
Foreign currency translations		**(313,602)**	(232,928)
Retained earnings		**343,398**	263,086
Proposed appropriations		**54,693**	82,268
Equity attributable to parent's shareholders		**1,338,079**	1,298,651
Non-controlling interest		**736,544**	684,736
Total owners' equity		**2,074,623**	1,983,387
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**23,463,589**	20,967,559



Saleh Abdullah Kamel
Chairman

Adnan Ahmed Yousif
Member of the Board and President and Chief Executive

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

	Notes	2014 US$ '000	2013 US$ '000
INCOME			
Net income from jointly financed contracts and investments	14	**1,166,772**	1,031,031
Return on equity of investment accountholders before Group's share as a Mudarib		**(1,018,827)**	(912,092)
Group's share as a Mudarib	15	**328,871**	311,935
Return on equity of investment accountholders		**(689,956)**	(600,157)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		**476,816**	430,874
Mudarib share for managing off-balance sheet equity of investment accountholders and incentive fee		**13,886**	2,958
Net income from self financed contracts and investments	14	**236,420**	236,067
Other fees and commission income	16	**187,144**	179,098
Other operating income	17	**41,413**	72,829
		955,679	921,826
Profit paid on long term financing		**(38,117)**	(12,342)
TOTAL OPERATING INCOME		**917,562**	909,484
OPERATING EXPENSES			
Staff expenses		**301,308**	293,898
Depreciation and amortisation	18	**45,575**	39,126
Other operating expenses	19	**174,477**	156,396
TOTAL OPERATING EXPENSES		**521,360**	489,420
NET OPERATING INCOME FOR THE YEAR BEFORE PROVISIONS AND IMPAIRMENT AND TAXATION		**396,202**	420,064
Provisions and impairment	20	**(21,163)**	(65,796)
NET INCOME BEFORE TAXATION		**375,039**	354,268
Taxation		**(100,272)**	(96,489)
NET INCOME FOR THE YEAR		**274,767**	257,779
Attributable to:			
Equity holders of the parent		**151,731**	144,506
Non-controlling interest		**123,036**	113,273
		274,767	257,779
Basic and diluted earnings per share - US cents	21	**13.98**	13.31

Saleh Abdullah Kamel
Chairman

Adnan Ahmed Yousif
Member of the Board and President and Chief Executive

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 US$ '000	2013 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		**375,039**	354,268
Adjustments for:			
Depreciation and amortisation	18	**45,575**	39,126
Depreciation on Ijarah Muntahia Bittamleek	14.4	**91,505**	66,865
Unrealised gain on equity and debt-type instruments at fair value through statement of income	14.3	**(495)**	(283)
Gain on sale of property and equipment	17	**(6,262)**	(9,153)
Gain on sale of investment in real estate	14.3	**(693)**	(957)
Gain on sale of equity type instruments at fair value through equity	14.3	**(1,489)**	(891)
Gain on sale of equity and debt-type instruments at fair value through statement of income	14.3	**(927)**	(2,500)
Gain on sale of associate	14.3	**-**	(46)
Loss (income) from associates	14.3	**294**	(1,958)
Provisions and impairment	20	**21,163**	65,796
Operating profit before changes in operating assets and liabilities		**523,710**	510,267
Net changes in operating assets and liabilities:			
Reserves with central banks		**216,593**	(515,445)
Receivables		**(1,217,961)**	(403,398)
Mudaraba and Musharaka financing		**(354,519)**	(239,931)
Ijarah Muntahia Bittamleek		**(644,257)**	(289,294)
Other assets		**(45,859)**	(12,185)
Customer current and other accounts		**260,131**	428,441
Due to banks		**115,625**	123,588
Other liabilities		**171,713**	(5,023)
Equity of investment accountholders		**1,732,269**	793,585
Taxation paid		**(81,313)**	(81,157)
Net cash from operating activities		**676,132**	309,448
INVESTING ACTIVITIES			
Net purchase of investments		**(142,578)**	(212,232)
Net purchase of property and equipment		**(5,067)**	(44,321)
Dividends received from associates		**654**	1,197
Net purchase of investment in associate		**(21,484)**	(1,739)
Net cash used in investing activities		**(168,475)**	(257,095)
FINANCING ACTIVITIES			
Long term financing		**114,989**	536,912
Dividends paid to equity holders of the parent		**(36,690)**	(35,507)
Net movement in treasury shares		**397**	753
Net changes in non-controlling interest		**(19,607)**	(27,135)
Net cash from financing activities		**59,089**	475,023
Foreign currency translation adjustments		**(136,378)**	(172,917)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**430,368**	354,459
Cash and cash equivalents at 1 January		**2,304,753**	1,950,294
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**2,735,121**	2,304,753

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2014

	Attributable to equity			
				Reserves
	Share capital US$ '000	Treasury shares US$ '000	Share premium US$ '000	Statutory reserve US$ '000
Balance at 1 January 2014	1,048,291	(8,123)	16,753	93,138
Dividends paid	-	-	-	-
Bonus shares issued (note 13)	45,578	-	-	-
Movement in treasury shares	-	(138)	535	-
Net movement in cumulative change in fair value	-	-	-	-
Net movement in other reserves	-	-	-	-
Foreign currency translation	-	-	-	-
Net income for the year	-	-	-	-
Transfer to statutory reserve	-	-	-	15,173
Proposed dividends	-	-	-	-
Proposed bonus shares	-	-	-	-
Dividends of subsidiaries	-	-	-	-
Zakah paid by subsidiaries	-	-	-	-
Effects of acquisition of non-controlling interest	-	-	-	-
Net movement in non-controlling interest	-	-	-	-
Balance at 31 December 2014	**1,093,869**	**(8,261)**	**17,288**	**108,311**
Balance at 1 January 2013	1,014,475	(8,475)	16,352	78,687
Dividends paid	-	-	-	-
Bonus shares issued (note 13)	33,816	-	-	-
Movement in treasury shares	-	352	401	-
Net movement in cumulative change in fair value	-	-	-	-
Net movement in other reserves	-	-	-	-
Foreign currency translation	-	-	-	-
Net income for the year	-	-	-	-
Transfer to statutory reserve	-	-	-	14,451
Proposed dividends	-	-	-	-
Proposed bonus shares	-	-	-	-
Dividends of subsidiaries	-	-	-	-
Zakah paid by subsidiaries	-	-	-	-
Effects of acquisition of non-controlling interest	-	-	-	-
Net movement in non-controlling interest	-	-	-	-
Balance at 31 December 2013	1,048,291	(8,123)	16,753	93,138

The attached notes 1 to 30 form part of these consolidated financial statements.

shareholders of the parent							
Other reserves US$ '000	Cumulative changes in fair values US$ '000	Foreign currency translations US$ '000	Retained earnings US$ '000	Proposed appropriations US$ '000	Total US$ '000	Non-controlling interest US$ '000	Total owners' equity US$ '000
38,546	(2,380)	(232,928)	263,086	82,268	1,298,651	684,736	1,983,387
-	-	-	-	(36,690)	(36,690)	-	(36,690)
-	-	-	-	(45,578)	-	-	-
-	-	-	-	-	397	-	397
-	5,453	-	-	-	5,453	2,186	7,639
764	-	-	-	-	764	512	1,276
-	-	(80,674)	-	-	(80,674)	(55,704)	(136,378)
-	-	-	151,731	-	151,731	123,036	274,767
-	-	-	(15,173)	-	-	-	-
-	-	-	(32,816)	32,816	- -	-	
-	-	-	(21,877)	21,877	-	-	-
-	-	-	-	-	-	(35,200)	(35,200)
-	-	-	(169)	-	(169)	(54)	(223)
-	-	-	(1,384)	-	(1,384)	1,384	-
-	-	-	-	-	-	15,648	15,648
39,310	**3,073**	**(313,602)**	**343,398**	**54,693**	**1,338,079**	**736,544**	**2,074,623**
42,566	(3,636)	(133,591)	218,222	69,323	1,293,923	673,757	1,967,680
-	-	-	-	(35,507)	(35,507)	-	(35,507)
-	-	-	-	(33,816)	-	-	-
-	-	-	-	-	753	-	753
-	1,256	-	-	-	1,256	500	1,756
(4,020)	-	-	-	-	(4,020)	(2,502)	(6,522)
-	-	(99,337)	-	-	(99,337)	(73,580)	(172,917)
-	-	-	144,506	-	144,506	113,273	257,779
-	-	-	(14,451)	-	-	-	-
-	-	-	(36,690)	36,690	-	-	-
-	-	-	(45,578)	45,578	-	-	-
-	-	-	-	-	-	(26,469)	(26,469)
-	-	-	(2,501)	-	(2,501)	(1,914)	(4,415)
-	-	-	(422)	-	(422)	422	-
-	-	-	-	-	-	1,249	1,249
38,546	(2,380)	(232,928)	263,086	82,268	1,298,651	684,736	1,983,387

CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS/SUKUKHOLDERS

For the year ended 31 December 2014

	Cash US$ '000	Sales receivables US$ '000	Mudaraba financing US$ '000	Investment in real estate US$ '000	Ijarah Muntahia Bittamleek US$ '000	Investments US$ '000	Others US$ '000	Total US$ '000
Balance at 1 January 2014	106,868	69,860	282,380	50,459	27,835	155,608	21,238	714,248
Deposits	55,430	291,090	1,228,759	113	14,818	132,135	106,392	1,828,737
Withdrawals	(80,283)	(165,966)	(1,201,626)	(13,343)	(3,384)	(132,307)	(101,004)	(1,697,913)
Income net of expenses	-	11,859	4,745	573	2,964	7,450	610	28,201
Mudarib's share	-	(4,984)	(334)	(94)	(486)	(1,582)	(413)	(7,893)
Foreign exchange translations	-	(9,750)	-	(120)	-	(899)	(6,595)	(17,364)
Balance at 31 December 2014	**82,015**	**192,109**	**313,924**	**37,588**	**41,747**	**160,405**	**20,228**	**848,016**
Balance at 1 January 2013	57,403	84,056	206,123	34,220	-	153,856	63,137	598,795
Deposits	134,441	299,376	1,137,689	18,145	28,571	100,347	241,055	1,959,624
Withdrawals	(84,976)	(322,062)	(1,064,518)	(1,875)	(2,680)	(103,866)	(270,004)	(1,849,981)
Income net of expenses	-	10,805	3,087	654	2,099	5,430	437	22,512
Mudarib's share	-	(2,315)	(1)	(176)	(155)	(163)	(148)	(2,958)
Foreign exchange translations	-	-	-	(509)	-	4	(13,239)	(13,744)
Balance at 31 December 2013	106,868	69,860	282,380	50,459	27,835	155,608	21,238	714,248

SUKUK HOLDERS:

	Commodity murabaha US$ '000	Ijarah sukuk US$ '000	Total US$ '000
Subscriptions (note 25)	171,500	178,500	350,000
Net income	10,938	5,993	16,931
Profit attributable to Sukuk Holders			(10,938)
Profit attributable to Wakeel as Mudareb less incentive fees			(5,993)
At 31 December 2014			**350,000**

The attached notes 1 to 30 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

1 ACTIVITIES

Al Baraka Banking Group B.S.C. ('the Bank') is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration (CR) number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is P.O. Box 1882, Diplomatic Area, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Bourse and NASDAQ Dubai.

The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain ('the CBB').

The principal activities of the Bank and its subsidiaries ('the Group') comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

The consolidated financial statements were approved by the Board of Directors on 22 February 2015.

2 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments through statement of income and equity-type instruments through equity that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ('US$') being the reporting currency of the Group. All values are rounded to the nearest US$ thousand ('US$ '000') unless otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') as issued by the International Accounting Standards Board (the 'IASB'), given it does not contradict with Shari'a Rules and Principles and the conceptual framework of AAOIFI.

Basis of consolidation

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's owners' equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in owners' equity since the date of combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in a subsidiary's owners' equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as an owners' equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the principal subsidiaries of the Bank, which are consolidated in these consolidated financial statements:

Bank	Ownership for 2014	Ownership for 2013	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2014
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.90%**	55.90%	1991	Algeria	**28**
Al Baraka Islamic Bank - Bahrain (AIB)	**91.12%**	91.12%	1984	Bahrain	**137**
Al Baraka Bank Tunis (ABT) *	**78.40%**	78.40%	1983	Tunisia	**13**
Al Baraka Bank Egypt (ABE)	**73.68%**	73.68%	1980	Egypt	**28**
Al Baraka Bank Lebanon (ABBL)	**98.86%**	98.86%	1991	Lebanon	**7**
Jordan Islamic Bank (JIB)	**66.01%**	66.01%	1978	Jordan	**85**
Al Baraka Turk Participation Bank (ATPB)	**56.64%**	56.64%	1985	Turkey	**202**
Al Baraka Bank Limited (ABL) **	**64.51%**	62.15%	1989	South Africa	**11**
Al Baraka Bank Sudan (ABS) ***	**75.73%**	76.09%	1984	Sudan	**27**
Al Baraka Bank Syria (ABBS) ****	**23.00%**	23.00%	2009	Syria	**10**

* From 1 January 2014, ABT has changed its license from an off-shore bank to an on-shore bank and its reporting currency has been officially changed from US Dollar to Tunisian Dinar.

** During the year, the Group subscribed in the capital increase of ABL in which the aloutment resulted in an increase of the ownership percentage of the Group ownership in ABL.

*** During the year, other shareholders of ABS have paid their share of the capital increase, which the Group has already paid in previous years. This resulted in change of the ownership percentage during the year.

**** The Group has control over Al Baraka Bank Syria through the power to govern the financial and operating policies.

The following are the subsidiaries held indirectly through the principal subsidiaries of the Bank:

Company/ Bank	Subsidiary held through	Effective Ownership for 2014	Effective Ownership for 2013	Year of incorporation	Country of incorporation
Held indirectly by the Bank					
Al Baraka Bank (Pakistan) Limited	AIB	**58.90%**	58.90%	2010	Pakistan
Itqan Capital	AIB	**75.69%**	54.67%	2007	Saudi Arabia
Al-Omariya School Company	JIB	**62.31%**	62.31%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**65.15%**	66.01%	1998	Jordan
Future Applied Computer Technology Company	JIB	**66.01%**	66.01%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**66.01%**	66.01%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**64.51%**	62.15%	1991	South Africa

Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year and are set out below:

a. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and cash in transit, balances with central banks excluding mandatory reserves and balances with other banks with an original maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

b. Receivables

Receivables comprise Sales (Murabaha) receivables, Ijarah receivables, Salam receivables and Istisna'a receivables.

Sales (Murabaha) receivables

Sales (Murabaha) receivables consist mainly of murabaha and international commodities stated net of deferred profits and provision for doubtful amount. The Group considers promise made in sales (murabaha) receivables to the purchase orderer as obligatory.

Ijarah receivables

IIjarah receivables is the outstanding rental at the end of the year less any provision for doubtful amount.

Salam receivables

Salam receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

Istisna'a receivables

Istisna'a receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

c. Mudaraba and Musharaka financing

Mudaraba and Musharaka financing are partnerships in which the Bank contributes capital. These are stated at the fair value of consideration given less impairment.

d. Investments

Investments comprise equity and debt-type instruments at fair value through statement of income, equity-type instruments at fair value through equity, debt-type instruments at amortised cost, investment in real estate and investment in associates.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners' equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

d. Investments (continued)

Equity and debt-type instruments at fair value through statement of income

This includes instruments held for trading purposes to gain profits from market fluctuations in the short term. These are initially recognised at cost, being the fair value of the consideration given excluding acquisition costs. These are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

All other investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Equity-type instruments at fair value through equity

This includes all instruments that are not covered above. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of investment accountholders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment accountholders is recognised in consolidated statement of income.

Debt-type instruments at amortised cost

Debt-type instruments which are managed on a contractual yield basis and are not held for trading and has not been designated at fair value through statement of income are classified as debt-type instruments at amortised cost. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is de-recognised or impaired.

e. Ijarah Muntahia Bittamleek

Assets acquired for leasing (Ijarah) are stated at cost, less accumulated depreciation.

Depreciation is provided on the straight line method over the useful life of the asset or the period of the lease, whichever is lower.

f. Property and equipment

Property and equipment are initially recognised at cost. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets other than freehold land, which is deemed to have an indefinite life.

The calculation of depreciation is on the following basis:

Buildings	30 years
Office furniture and equipment	4 - 10 years
Vehicles	3 years
Others	4 - 5 years

g. Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

For Sales (Murabaha) receivables the fair value is determined at the Bank or subsidiary level at the end of the financial period at their cash equivalent value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

h. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

i. Intangible assets

Intangible assets comprise principally the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

j. Collateral pending sale

Collateral acquired in settlement of certain financing facilities is stated at the lower of the net realisable value of the related financing facilities and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

k. Employees' end of service benefits

The Group provides for end of service benefits to its employees. Entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued for over the period of employment.

l. Provision

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

m. Dividends

Dividends to shareholders are recognised as liabilities in the year in which they are declared.

n. Equity of investment accountholders

All equity of investment accountholders are carried at cost plus accrued profit and related reserves. Investment risk reserves and profit equalisation reserves are made at the Bank or subsidiary level.

o. Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of equity of investment accountholders, after allocating the mudarib share, in order to cater against future losses for equity of investment accountholders.

p. Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for equity of investment accountholders.

q. Sukuk

Sukuk issued by the Group are treated based on the underlying contracts and structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

r. Off-balance sheet equity of investment accountholders/sukukholders

Off-balance sheet equity of investment accountholders/sukukholders represent funds received by the Group from third parties for investment in specified products/assets as directed by them. These products/assets are managed in a fiduciary capacity and the Group has no entitlement to these products/assets. Third parties bear all of the risks and earn all of the rewards on these products/assets. Off-balance sheet equity of investment accountholders/sukukholders are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these products/assets except within the conditions of the contract between the Group and third parties.

s. Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity of the parent and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in equity of the parent. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments.

t. Revenue recognition

Sales (Murabaha) receivables

Profit from Sales (Murabaha) receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Salam and Istisna'a receivables

Income on Salam and Istisna'a is recognised on time-apportioned basis when the income from a contract is contractually determinable or quantifiable.

Mudaraba and Musharaka financing

Income on Mudaraba and Musharaka financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Income related to accounts that are 90 days overdue is excluded from the consolidated statement of income.

Ijarah Muntahia Bittamleek

Income net of depreciation is recognised on a time-apportioned basis over the lease term.

Fee and commission income

Fee and commission income is recognised when earned.

Other income

Other income on investments is recognised when the right to receive payment is established.

Group's share as a Mudarib

The Group's share of profit as a Mudarib for managing equity of investment accountholders is based on the terms and conditions of the related mudarib agreements.

Mudarib's share of off-balance sheet equity of investment accountholders

The Group shares profit for managing off-balance sheet equity of investment accountholders based on the terms and conditions of related contracts.

u. Return on equity of investment accountholders

Equity of investment accountholders' share of income is calculated based on the applicable local laws and based on the underlying individual Mudaraba contract. It represents the income generated from joint investment accounts and after deducting other expenses. Other expenses include all expenses incurred by the Group including specific provisions. The Group's share is deducted before distributing such income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

v. Joint and self financed

Investments, financing and receivables that are jointly owned by the Group and the equity of investment accountholders are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivables that are financed solely by the Group are classified under "self financed".

w. Taxation

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate. The Group accounts for its share of associates profit after accounting for corporate taxation. Deferred income tax is provided using the liability method on temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

x. Shari'a supervisory board

The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of five members appointed by the general assembly.

y. Zakah

The responsibility of payment of Zakah is on individual shareholders of the Group, its equity of investment accountholders and other account holders except for few subsidiaries where the responsibility of payment of Zakah is on the individual subsidiary as a single entity. The calculation of Zakah per share is presented as an attachment to the Shari'a Supervisory Board Report.

z. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic source. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities.

aa. Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

In addition, the Group maintains a provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to receivables, financings or investment assets. The amount reflects estimated losses affecting these assets attributable to events that have already occurred at the date of the financial statements, and not estimated losses attributable to future events.

bb. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

cc. Foreign currencies

Foreign currency transactions at the subsidiary level

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial position date. All differences are taken to income statement at the entity level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

cc. Foreign currencies (continued)

Foreign currency translations

As at the reporting date, the assets and liabilities in foreign currencies are translated into the presentation currency of the Group (United States Dollars) at the rate of exchange ruling at the financial position date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of owners' equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in owners' equity relating to that particular foreign entity is recognised in the consolidated statement of income.

dd. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which effects the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as equity and debt-type instrument at fair value through statement of income, equity-type instrument at fair value through equity or debt-type instrument at amortised cost.

Going concern

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

ee. Use of estimates in preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is used primarily to the determination of provisions for sales (Murabaha) receivable, mudaraba financing, musharaka financing, equity-type instrument at fair value through equity, debt-type instrument at amortised cost, ijarah receivable and other assets.

ff. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset has expired;

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

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

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At 31 December 2014

3 CASH AND BALANCES WITH BANKS

	2014 US$ '000	2013 US$ '000
Balances with central banks*	3,910,919	3,681,621
Balances with other banks	670,208	791,780
Cash and cash in transit	430,135	324,086
	5,011,262	4,797,487

* Balances with central banks include mandatory reserves amounting to US$ 2,276,141 thousand (2013: US$ 2,492,734 thousand). These amounts are not available for use in the Group's day-to-day operations.

4 RECEIVABLES

	2014 US$ '000	2013 US$ '000
Sales (Murabaha) receivables (4.1)	11,761,908	10,632,286
Ijarah receivables (4.2)	17,380	20,504
Salam receivables (4.3)	163,173	126,174
Istisna'a receivables (4.4)	57,086	39,255
	11,999,547	10,818,219

4.1 Sales (Murabaha) receivables

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
International Commodity Murabaha	66,642	324,653	391,295	60,406	327,012	387,418
Other Murabaha	2,103,908	10,945,418	13,049,326	1,711,299	10,019,224	11,730,523
Gross Sales (Murabaha) receivables	2,170,550	11,270,071	13,440,621	1,771,705	10,346,236	12,117,941
Deferred profits	(219,278)	(1,055,947)	(1,275,225)	(177,273)	(915,326)	(1,092,599)
	1,951,272	10,214,124	12,165,396	1,594,432	9,430,910	11,025,342
Provisions (note 20)	(58,008)	(345,480)	(403,488)	(57,795)	(335,261)	(393,056)
Net sales (Murabaha) receivables	1,893,264	9,868,644	11,761,908	1,536,637	9,095,649	10,632,286

	2014 US$ '000	2013 US$ '000
Non-performing	473,465	456,082

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At 31 December 2014

4 RECEIVABLES (continued)

4.2 Ijarah receivables

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross Ijarah receivables	-	23,770	23,770	567	25,715	26,282
Provisions (note 20)	-	(6,390)	(6,390)	-	(5,778)	(5,778)
Net Ijarah receivables	-	17,380	17,380	567	19,937	20,504

	2014 US$ '000	2013 US$ '000
Non-performing	17,157	11,666

4.3 Salam receivables

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross Salam receivables	-	168,304	168,304	-	130,417	130,417
Provisions (note 20)	-	(5,131)	(5,131)	-	(4,243)	(4,243)
Net Salam receivables	-	163,173	163,173	-	126,174	126,174

	2014 US$ '000	2013 US$ '000
Non-performing	9,089	7,303

4.4 Istisna'a receivables

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross Istisna'a receivables	-	57,604	57,604	-	40,565	40,565
Provisions (note 20)	-	(518)	(518)	-	(1,310)	(1,310)
Net Istisna'a receivables	-	57,086	57,086	-	39,255	39,255

	2014 US$ '000	2013 US$ '000
Non-performing	1,322	2,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 MUDARABA AND MUSHARAKA FINANCING

	2014 US$ '000	2013 US$ '000
Mudaraba financing (5.1)	**1,025,223**	809,178
Musharaka financing (5.2)	**524,563**	382,947
	1,549,786	1,192,125

5.1 Mudaraba financing

	2014			2013		
	Self financed US$ '000	**Jointly financed US$ '000**	**Total US$ '000**	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross Mudaraba financing	**361,748**	**674,431**	**1,036,179**	322,626	497,662	820,288
Provisions (note 20)	**-**	**(10,956)**	**(10,956)**	-	(11,110)	(11,110)
Net Mudaraba financing	**361,748**	**663,475**	**1,025,223**	322,626	486,552	809,178

	2014 US$ '000	2013 US$ '000
Non-performing	**10,956**	10,872

5.2 Musharaka financing

	2014			2013		
	Self financed US$ '000	**Jointly financed US$ '000**	**Total US$ '000**	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross Musharaka financing	**141,175**	**387,567**	**528,742**	70,550	319,789	390,339
Provisions (note 20)	**-**	**(4,179)**	**(4,179)**	-	(7,392)	(7,392)
Net Musharaka financing	**141,175**	**383,388**	**524,563**	70,550	312,397	382,947

	2014 US$ '000	2013 US$ '000
Non-performing	**8,370**	14,964

6 INVESTMENTS

	2014 US$ '000	2013 US$ '000
Equity and debt-type instruments at fair value through statement of income (6.1)	**17,510**	34,644
Equity-type instruments at fair value through equity (6.2)	**104,919**	97,087
Debt-type instruments at amortised cost (6.3)	**2,242,616**	2,093,920
	2,365,045	2,225,651
Investment in real estate (6.4)	**159,549**	139,350
Investment in associates (6.5)	**55,440**	37,829
	2,580,034	2,402,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

6 INVESTMENTS (continued)

6.1 Equity and debt-type instruments at fair value through statement of income

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted Investments						
Debts	8,749	5,658	14,407	29,046	2,638	31,684
Equities	2,413	690	3,103	2,262	698	2,960
	11,162	6,348	17,510	31,308	3,336	34,644

6.2 Equity-type instruments at fair value through equity

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted Investments						
Equities	7,363	32,024	39,387	4,820	43,373	48,193
Managed funds	7,053	14,237	21,290	1,751	14,650	16,401
	14,416	46,261	60,677	6,571	58,023	64,594
Unquoted Investments						
Equities	26,626	10,520	37,146	19,520	7,549	27,069
Managed funds	-	12,385	12,385	-	10,485	10,485
	26,626	22,905	49,531	19,520	18,034	37,554
Provisions (note 20)	(2,650)	(2,639)	(5,289)	(2,744)	(2,317)	(5,061)
	38,392	66,527	104,919	23,347	73,740	97,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

6 INVESTMENTS (continued)

6.3 Debt-type instruments at amortised cost

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Quoted Investments						
Sukuk and similar items	441,539	780,676	1,222,215	477,269	490,730	967,999
Unquoted Investments						
Sukuk and similar items	72,284	951,964	1,024,248	56,639	1,072,263	1,128,902
Provisions (note 20)	-	(3,847)	(3,847)	-	(2,981)	(2,981)
	513,823	1,728,793	2,242,616	533,908	1,560,012	2,093,920

6.4 Investment in real estate

	2014			2013		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	901	82,147	83,048	1,158	75,982	77,140
Buildings	6,079	70,422	76,501	7,340	54,870	62,210
	6,980	152,569	159,549	8,498	130,852	139,350

The following is a reconciliation between carrying amounts of investment in real estate at the beginning and end of the year:

	2014 US$ '000	2013 US$ '000
Beginning balance of the year	139,350	127,829
Acquisitions	34,803	11,290
Net gain from fair value adjustments	9,050	6,988
Disposals	(21,413)	(1,860)
Foreign exchange translation / others - net	(2,241)	(4,897)
	20,199	11,521
Ending balance of the year	159,549	139,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2014

6 INVESTMENTS (continued)

6.5 Investment in associates

Investment in associates comprise the following:

	2014					
	Ownership %	Country of incorporation	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market Value US$ '000
Quoted						
Investment Banking						
Al Amin for Investment	29.70	Jordan	-	5,966	5,966	4,599
Insurance						
The Islamic Insurance Company	33.20	Jordan	-	8,302	8,302	7,745
Others						
Jordan International Trading Center	28.40	Jordan	-	2,155	2,155	1,621
Arabian Steel Pipes Manufacturing Company Limited	26.00	Jordan	-	5,516	5,516	7,756
			-	21,939	21,939	21,721
Unquoted						
Real Estate						
Egyptian Saudi Finance Real Estate	40.00	Egypt	-	318	318	
REIF 1 Real Estate Income Fund	37.47	Saudi Arabia	7,426	-	7,426	
REIF 2 Real Estate Income Fund	19.90	Saudi Arabia	2,208	-	2,208	
REIF 3 Real Estate Income Fund	53.20	Saudi Arabia	16,736	-	16,736	
Insurance						
Takaful for Pension and Life Insurance	50.00	Turkey	2,410	-	2,410	
Others						
BEST Lease	28.00	Tunisia	4,403	-	4,403	
			33,183	318	33,501	
			33,183	22,257	55,440	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

6 INVESTMENTS (continued)

6.5 Investment in associates (continued)

	2013					
	2013 Ownership %	Country of incorporation	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market Value US$ '000
Quoted						
Investment Banking						
Al Amin for Investment	29.70	Jordan	-	5,606	5,606	4,065
Insurance						
The Islamic Insurance Company	33.20	Jordan	-	7,549	7,549	7,762
Others						
Jordan International Trading Center	28.40	Jordan	-	2,187	2,187	1,836
Arabian Steel Pipes Manufacturing Company Limited	26.00	Jordan	-	5,520	5,520	8,713
			-	20,862	20,862	22,376
Unquoted						
Real Estate						
Egyptian Saudi Finance Real Estate	40.00	Egypt	-	327	327	
REIF 1 Real Estate Income Fund	37.47	Saudi Arabia	7,152	-	7,152	
REIF 2 Real Estate Income Fund	19.90	Saudi Arabia	2,101	-	2,101	
Insurance						
Takaful for Pension and Life Insurance	50.00	Turkey	2,391	-	2,391	
Others						
BEST Lease	28.00	Tunisia	4,996	-	4,996	
			16,640	327	16,967	
			16,640	21,189	37,829	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

7 IJARAH MUNTAHIA BITTAMLEEK

	2014			2013		
	Self financed US$ '000	**Jointly financed US$ '000**	**Total US$ '000**	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land and building						
Cost	**-**	**1,276,142**	**1,276,142**	-	1,037,203	1,037,203
Accumulated depreciation	**-**	**(357,951)**	**(357,951)**	-	(313,285)	(313,285)
Net book value	**-**	**918,191**	**918,191**	-	723,918	723,918
Equipment						
Cost	**314,926**	**431,186**	**746,112**	41,672	422,041	463,713
Accumulated depreciation	**(10,247)**	**(225,756)**	**(236,003)**	(7,656)	(261,176)	(268,832)
Net book value	**304,679**	**205,430**	**510,109**	34,016	160,865	194,881
Others						
Cost	**-**	**85,735**	**85,735**	1,851	31,025	32,876
Accumulated depreciation	**-**	**(19,236)**	**(19,236)**	(1,851)	(7,776)	(9,627)
Net book value	**-**	**66,499**	**66,499**	-	23,249	23,249
Total						
Cost	**314,926**	**1,793,063**	**2,107,989**	43,523	1,490,269	1,533,792
Accumulated depreciation	**(10,247)**	**(602,943)**	**(613,190)**	(9,507)	(582,237)	(591,744)
Net book value	**304,679**	**1,190,120**	**1,494,799**	34,016	908,032	942,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

8 PROPERTY AND EQUIPMENT

	Land and buildings US$ '000	Office furniture and equipment US$ '000	Vehicles US$ '000	Others US$ '000	Total US$ '000
Cost:					
At 1 January 2013	287,888	170,185	8,668	101,028	567,769
Additions	38,996	22,286	1,865	26,739	89,886
Disposals	(1,908)	(2,929)	(821)	(5,582)	(11,240)
Foreign exchange translations	(26,368)	(9,649)	(450)	(9,306)	(45,773)
At 31 December 2013	298,608	179,893	9,262	112,879	600,642
Additions	45,651	35,969	2,838	34,283	118,741
Disposals	(19,544)	(4,127)	(1,001)	(67,424)	(92,096)
Foreign exchange translations	(16,735)	(8,339)	(539)	(6,262)	(31,875)
At 31 December 2014	**307,980**	**203,396**	**10,560**	**73,476**	**595,412**
Depreciation:					
At 1 January 2013	58,835	107,502	5,467	9,469	181,273
Provided during the year (note 18)	10,497	15,363	1,001	7,231	34,092
Relating to disposals	(620)	(2,269)	(732)	(797)	(4,418)
Foreign exchange translations	(6,683)	(6,380)	(410)	(2,712)	(16,185)
At 31 December 2013	62,029	114,216	5,326	13,191	194,762
Provided during the year (note 18)	12,733	17,951	1,123	6,079	37,886
Relating to disposals	(963)	(3,625)	(706)	(570)	(5,864)
Foreign exchange translations	(4,680)	(4,207)	(250)	(1,558)	(10,695)
At 31 December 2014	**69,119**	**124,335**	**5,493**	**17,142**	**216,089**
Net book values:					
At 31 December 2014	**238,861**	**79,061**	**5,067**	**56,334**	**379,323**
At 31 December 2013	236,579	65,677	3,936	99,688	405,880

9 OTHER ASSETS

	2014 US$ '000	2013 US$ '000
Bills receivables	**170,898**	109,102
Goodwill and intangible assets (note 9 (a))	**103,773**	104,946
Collateral pending sale	**75,951**	75,471
Good faith qard	**12,122**	24,359
Deferred taxation	**19,793**	19,022
Prepayments	**38,036**	46,422
Others	**41,681**	45,154
	462,254	424,476
Provisions (note 20)	**(13,416)**	(15,506)
	448,838	408,970

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At 31 December 2014

9 OTHER ASSETS (continued)

9(a) Goodwill and intangible assets

	Goodwill 2014 US$ '000	**Intangible assets 2014 US$ '000**	**Total 2014 US$ '000**	Goodwill 2013 US$ '000	Intangible assets 2013 US$ '000	Total 2013 US$ '000
At 1 January	**87,548**	**17,398**	**104,946**	93,785	13,999	107,784
Additions	**-**	**13,280**	**13,280**	-	10,032	10,032
Amortisation charge for the year (note 18)	**-**	**(7,689)**	**(7,689)**	-	(5,034)	(5,034)
Impairment loss for the year	**(4,000)**	**-**	**(4,000)**	-	-	-
Foreign exchange translations	**(1,371)**	**(1,393)**	**(2,764)**	(6,237)	(1,599)	(7,836)
At 31 December	**82,177**	**21,596**	**103,773**	87,548	17,398	104,946

Goodwill acquired through business combinations with indefinite lives have been allocated to five individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2014 US$ '000	2013 US$ '000
Al Baraka Turk Participation Bank	**21,994**	24,152
Al Barak Bank Egypt	**2,047**	2,107
Jordan Islamic Bank	**26,646**	26,646
Al Baraka Bank (Pakistan) Limited	**18,408**	17,561
Itqan Capital *	**13,082**	17,082
	82,177	87,548

The recoverable amount of the cash-generating units were determined based on value in use calculation using cash flow projections from financial budgets approved by the Group's senior management covering a five year period. Management determined budgeted spreads based on the cash-generating units' past performance and its expectation of market development.

* The recoverable amount for Itqan Capital using the above basis showed higher value such that it will not result in any impairment of Goodwill. However, the Group has booked US$ 4 million as an impairment of Goodwill. This is to cater for inherent uncertainties around cash flow projections and considering the current temporary changes in the external factors of the Saudi Arabian economy.

10 LONG TERM FINANCING

	2014 US$ '000	2013 US$ '000
Murabaha financing	**452,519**	296,584
Subordinated financing obtained by a subsidiary	**203,150**	204,487
Istisna'a financing	**-**	39,609
	655,669	540,680

Murabaha financing

During 2013, Al Baraka Turk Participation Bank (ATPB) obtained US$ 293 million murabaha financing with an average annual profit rate of 1.59%, for a period of two years. The murabaha financing is obtained in US$ and Euros.

Further, during the year, ATPB has entered into a murabaha agreement with sukuk holders for an amount of US$ 171.5 million payable in 5 years with a profit rate of 12.76% per annum to be paid on semi-annual basis. ATPB has recognised this murabaha as part of its long term financing (note 25).

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10 LONG TERM FINANCING (continued)

Subordinated financing obtained by a subsidiary

During 2013, ATPB obtained US$ 200 million subordinated financing with an annual profit rate of 7.75%, for a period of ten years. These subordinated financing are obtained in US$ and are considered part of tier II capital in the capital adequacy calculation of Al Baraka Turk Participation Bank as per the banking regulations in the Republic of Turkey.

11 OTHER LIABILITIES

	2014 US$ '000	2013 US$ '000
Payables	327,615	254,266
Cash margins	268,959	202,313
Managers' cheques	74,071	9,256
Other provisions (note 20) *	11,521	30,306
Current taxation **	72,606	61,723
Deferred taxation **	9,531	686
Accrued expenses	82,225	78,301
Charity fund	4,296	7,432
Others	21,876	54,716
	872,700	698,999

* Other provisions mainly comprise of general provisions and specific provisions on commitment and contingent items.

** In view of operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a reconciliation between the accounting and taxable profits together with details of effective tax rates.

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2014 US$ '000	2013 US$ '000
Equity of investment accountholders *	13,912,511	12,268,218
Profit equalisation reserve (note 12.1)	13,045	12,126
Investment risk reserve (note 12.2)	198,559	110,424
Cumulative changes in fair value attributable to equity of investment accountholders - net (12.3)	15,677	8,676
	14,139,792	12,399,444

* *Medium term sukuk*

This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 20,508 thousand issued by Al Baraka Bank (Pakistan) Limited (ABPL). The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The tenor of the sukuk is seven years maturing in 2021. The principal repayment, starting after six months of the drawdown date, would be made semi-annually on a straight line basis.

12.1 Movement in profit equalisation reserve

	2014 US$ '000	2013 US$ '000
Balance at 1 January	12,126	9,444
Amount apportioned from income allocable to equity of investment accountholders	2,377	2,643
Foreign exchange translations	(1,458)	39
Balance at 31 December	13,045	12,126

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At 31 December 2014

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (continued)

12.2 Movement in investment risk reserve

	2014 US$ '000	2013 US$ '000
Balance at 1 January	**110,424**	98,429
Amount appropriated to provision (note 20)	**(5,288)**	(21,807)
Amount apportioned from income allocable to equity of investment accountholders	**102,728**	48,634
Foreign exchange translations	**(9,305)**	(14,832)
Balance at 31 December	**198,559**	110,424

12.3 Movement in cumulative changes in fair value attributable to equity of investment accountholders - net

	2014 US$ '000	2013 US$ '000
Balance at 1 January	**8,676**	7,777
Change in fair values during the year	**13,738**	2,771
Realised gain transferred to consolidated statement of income	**(693)**	(751)
Deferred taxation effect	**(5,355)**	(606)
Transfer to shareholders equity	**(688)**	(515)
	15,677	8,676
Attributable to investment in real estate	**11,879**	10,009
Attributable to equity-type instruments at fair value through equity	**3,798**	(1,333)
	15,677	8,676

13 OWNERS' EQUITY

	2014 US$ '000	2013 US$ '000
Share capital		
Authorised: 1,500,000,000 ordinary shares of US$ 1 each	**1,500,000**	1,500,000

	2014 US$ '000	2013 US$ '000
Issued and fully paid up:		
At beginning of the year		
1,048,290,833 (2013: 1,014,475,000) shares of US$1 each	**1,048,291**	1,014,475
Issued during the year		
45,577,862 bonus shares (2013: 33,815,833) of US$1 each	**45,578**	33,816
At end of the year		
1,093,868,695 (2013: 1,048,290,833) shares of US$1 each	**1,093,869**	1,048,291

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At 31 December 2014

13 OWNERS' EQUITY (continued)

Proposed appropriations

At the Annual General Meeting held on 23 March 2014 (2013: 19 March 2013), the shareholders of the Group resolved to distribute US$ 36,690 thousand (2013: US$ 35,507 thousand) as cash dividends and US$ 45,578 thousand (2013: US$ 33,816 thousand) as bonus shares.

Treasury shares

	2014 No. thousand	2014 US$ '000	2013 US$ '000
At 1 January	**8,123**	**8,123**	8,475
Purchase of treasury shares	**548**	**548**	39
Sale of treasury shares	**(410)**	**(410)**	(391)
At 31 December	**8,261**	**8,261**	8,123

The market value of the treasury shares is US$ 6,650 thousand (2013: US$ 6,268 thousand) and it represents 0.8% (2013: 0.8%) of the outstanding shares.

Additional information on shareholding pattern

i) Names and nationalities of the major shareholders and the number of shares in which they have an interest of 5% or more of outstanding shares:

At 31 December 2014

Names	**Nationality/ Incorporation**	**No. of shares**	**% holding**
Saleh Abdullah Kamel	**Saudi**	**329,369,040**	**30.11%**
Dallah AlBaraka Holding Company E.C.	**Bahrain**	**269,484,470**	**24.64%**
Altawfeek Company For Investment Funds	**Cayman Island**	**211,378,282**	**19.32%**
Abdulla AbdulAziz AlRajihi	**Saudi**	**76,845,065**	**7.03%**

At 31 December 2013

Names	Nationality/ Incorporation	No. of shares	% holding
Saleh Abdulla Kamel	Saudi	315,645,330	30.11%
Dallah AlBaraka Holding Company E.C.	Bahrain	258,255,951	24.64%
Altawfeek Company For Investment Funds	Cayman Island	202,570,854	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	72,656,256	6.93%

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

iii) Distribution schedule of shares, setting out the number and percentage of holders in the following categories:

At 31 December 2014

Categories	**No. of shares**	**No. of shareholders**	**% of total outstanding shares**
Less than 1%	**84,001,577**	**1,108**	**7.68%**
1% up to less than 5%	**122,790,261**	**6**	**11.22%**
5% up to less than 10%	**76,845,065**	**1**	**7.03%**
10% up to less than 20%	**211,378,282**	**1**	**19.32%**
20% up to less than 50%	**598,853,510**	**2**	**54.75%**
	1,093,868,695	**1,118**	**100.00%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

13 OWNERS' EQUITY (continued)

Additional information on shareholding pattern (continued)

At 31 December 2013

Categories	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	69,096,191	1,123	6.59%
1% up to less than 5%	130,066,251	7	12.41%
5% up to less than 10%	72,656,256	1	6.93%
10% up to less than 20%	202,570,854	1	19.32%
20% up to less than 50%	573,901,281	2	54.75%
	1,048,290,833	1,134	100.00%

a. *Share premium/Equity transaction cost*

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue costs, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

Equity transaction cost, represent costs incurred by the Bank that are directly related to raising capital and have been incurred in cash.

b. *Statutory reserve*

In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the parent's share of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. This reserve is not distributable, but can be utilised as security for the purpose of distribution in such circumstances as stipulated in the BCCL and other applicable statutory regulations. During the year US$ 15,173 thousand (2013: US$ 14,451 thousand) was transferred to statutory reserve.

c. *Cumulative changes in fair values*

This represents the net unrealised fair value gains and losses relating to the equity of the parent on equity-type instruments at fair value through equity and investment in real estate.

d. *Foreign currency translations*

The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The following table summarises the subsidiary wise foreign currency translation balance as at 31 December:

Subsidiary	**Currency**	**2014 US$ '000**	2013 US$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	**23,964**	8,995
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	**8,173**	10,314
Al Baraka Bank Egypt (ABE)	Egyptian Pound	**28,717**	25,124
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	**180,354**	139,806
Al Baraka Bank Limited (ABL)	South African Rand	**12,137**	9,107
Al Baraka Bank Sudan (ABS)	Sudanese Pound	**29,337**	28,238
Al Baraka Bank Tunis (ABT) *	Tunisian Dinar	**8,994**	-
Al Baraka Bank Syria (ABBS)	Syrian Pound	**21,926**	11,344
		313,602	232,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

13 OWNERS' EQUITY (continued)

Additional information on shareholding pattern (continued)

e. *Other reserves*

Other reserves mainly consist of general banking risk reserves maintained by the subsidiaries in accordance with local regulations.

f. *Proposed Appropriations*

	2014 US$ '000	2013 US$ '000
Cash dividend 3% (2013: 3.5%)	**32,816**	36,690
Bonus shares	**21,877**	45,578
	54,693	82,268

The above proposed appropriations exclude appropriations to the statutory reserve as mentioned above and will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The Bank proposed issuance of bonus shares from the retained earnings at one bonus share for each 50 shares held (2013: 23). This will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The proposed appropriations for the year 2013 was approved at the Annual General Meeting on 23 March 2014 and was effected in 2014 following the approval.

g. *Net movement in non-controlling interest*

This mainly includes the effect of changes in capital of subsidiaries, buying (selling) by the non-controlling interest from (to) the Group.

14 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2014 US$ '000	2013 US$ '000
Receivables (note 14.1)	**1,035,030**	937,762
Mudaraba and Musharaka financing (note 14.2)	**95,859**	81,803
Investments (note 14.3)	**207,077**	194,224
Ijarah Muntahia Bittamleek (note 14.4)	**96,242**	70,835
Others	**3,359**	14,438
	1,437,567	1,299,062
Net income from jointly financed contracts and investments	**1,166,772**	1,031,031
Gross income from self financed contracts and investments	**270,795**	268,031
	1,437,567	1,299,062
Gross income from self financed contracts and investments	**270,795**	268,031
Profit paid on wakala financing	**(34,375)**	(31,964)
Net income from self financed contracts and investments	**236,420**	236,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

14 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS (continued)

14.1 Receivables

	2014 US$ '000	2013 US$ '000
Sales (Murabaha) receivables	**1,019,486**	925,471
Salam receivables	**11,590**	9,011
Istisna'a receivables	**3,954**	3,280
	1,035,030	937,762

14.2 Mudaraba and Musharaka financing

	2014 US$ '000	2013 US$ '000
Mudaraba financing	**38,146**	21,325
Musharaka financing	**57,713**	60,478
	95,859	81,803

14.3 Investments

	2014 US$ '000	2013 US$ '000
Equity-type instruments at fair value through equity	**2,008**	9,236
Debt-type instruments at amortised cost	**200,107**	177,094
Unrealised gain on equity and debt-type instruments at fair value through statement of income	**495**	283
Gain on sale of equity-type instruments at fair value through equity	**1,489**	891
Gain on sale of equity and debt-type instruments at fair value through statement of income	**927**	2,500
Rental income	**1,652**	1,259
(Loss) income from associates	**(294)**	1,958
Gain on sale of investment in real estate	**693**	957
Gain on sale of associate	**-**	46
	207,077	194,224

14.3 Ijarah Muntahia Bittamleek

	2014 US$ '000	2013 US$ '000
Income from Ijarah Muntahia Bittamleek	**187,747**	137,700
Depreciation on Ijarah Muntahia Bittamleek	**(91,505)**	(66,865)
	96,242	70,835

15 GROUP'S SHARE AS A MUDARIB

Group's share as a Mudarib is determined at the level of each subsidiary and is based on the terms and conditions of the related agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

16 OTHER FEES AND COMMISSION INCOME

	2014 US$ '000	2013 US$ '000
Banking fees and commissions	96,110	72,418
Letters of credit	40,760	53,501
Guarantees	41,081	44,877
Acceptances	9,193	8,302
	187,144	179,098

17 OTHER OPERATING INCOME

	2014 US$ '000	2013 US$ '000
Foreign exchange gain	30,070	61,764
Gain on sale of property and equipment	6,262	9,153
Others	5,081	1,912
	41,413	72,829

18 DEPRECIATION AND AMORTISATION

	2014 US$ '000	2013 US$ '000
Property and equipment depreciation (note 8)	37,886	34,092
Intangible assets amortisation (note 9 (a))	7,689	5,034
	45,575	39,126

19 OTHER OPERATING EXPENSES

	2014 US$ '000	2013 US$ '000
General and administration expenses	93,923	87,926
Professional and business expenses	25,401	22,981
Premises related expenses	55,153	45,489
	174,477	156,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

20 PROVISIONS AND IMPAIRMENT

	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)
2014		
Provisions at 1 January	**393,056**	**5,778**
Charged during the year	**76,622**	**2,675**
Written back during the year	**(41,369)**	**(1,569)**
	35,253	**1,106**
	428,309	**6,884**
Written off during the year	**(12,948)**	**-**
Amount appropriated from investment risk reserve (note 12.2)	**5,287**	**-**
Foreign exchange translations/others - net	**(17,160)**	**(494)**
Provisions at 31 December	**403,488**	**6,390**

During the year an impairment loss of US$ 4,335 thousand (2013: US$ 3,349 thousand) was charged against investments and goodwill.

2013		
Provisions at 1 January	394,504	8,056
Charged during the year	106,257	3,147
Written back during the year	(62,540)	(1,484)
	43,717	1,663
	438,221	9,719
Written off during the year	(41,417)	(1,181)
Amount appropriated from (to) investment risk reserve (note 12.2)	21,738	-
Foreign exchange translations/others - net	(25,486)	(2,760)
Provisions at 31 December	393,056	5,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

	Salam receivables US$ '000 (note 4.3)	Istisna'a receivables US$ '000 (note 4.4)	Mudaraba financing US$ '000 (note 5.1)	Musharaka financing US$ '000 (note 5.2)	Investments US$ '000 (note 6.2 & 6.3)	Other assets US$ '000 (note 9)	Other liabilities US$ '000 (note 11)	Total US$ '000
	4,243	**1,310**	**11,110**	**7,392**	**8,042**	**15,506**	**30,306**	**476,743**
	1,823	**1,358**	**232**	**870**	**1,690**	**1,911**	**2,073**	**89,254**
	(832)	**(2,075)**	**-**	**(4,244)**	**(790)**	**(1,803)**	**(19,744)**	**(72,426)**
	991	**(717)**	**232**	**(3,374)**	**900**	**108**	**(17,671)**	**16,828**
	5,234	**593**	**11,342**	**4,018**	**8,942**	**15,614**	**12,635**	**493,571**
	-	**-**	**(65)**	**-**	**-**	**-**	**(152)**	**(13,165)**
	-	**-**	**-**	**1**	**-**	**-**	**-**	**5,288**
	(103)	**(75)**	**(321)**	**160**	**194**	**(2,198)**	**(962)**	**(20,959)**
	5,131	**518**	**10,956**	**4,179**	**9,136**	**13,416**	**11,521**	**464,735**
	2,684	486	16,353	8,529	20,186	11,619	18,210	480,627
	2,258	1,091	1,730	1,347	969	5,582	8,974	131,355
	(710)	(337)	-	(1,718)	(1,001)	(1,117)	(1)	(68,908)
	1,548	754	1,730	(371)	(32)	4,465	8,973	62,447
	4,232	1,240	18,083	8,158	20,154	16,084	27,183	543,074
	-	-	(5,233)	-	(7,521)	(998)	(28)	(56,378)
	17	57	-	(5)	-	-	-	21,807
	(6)	13	(1,740)	(761)	(4,591)	420	3,151	(31,760)
	4,243	1,310	11,110	7,392	8,042	15,506	30,306	476,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

20 PROVISIONS AND IMPAIRMENT (continued)

The provisions relate to the following geographical areas:

	Sales (Murabaha) receivables US$ '000	Ijarah receivables US$ '000
2014		
Middle East	**233,703**	**-**
North Africa	**26,436**	**4,905**
Europe	**116,488**	**-**
Others	**26,861**	**1,485**
Total	**403,488**	**6,390**
2013		
Middle East	217,624	-
North Africa	32,188	4,361
Europe	119,666	-
Others	23,578	1,417
Total	393,056	5,778

The fair value of collateral that the Group holds relating to non performing facilities at 31 December 2014 amounts to US$ 292.2 million (2013: US$ 304.9 million). The collateral consists of cash margin, securities and properties. The utilisation of the collaterals will be on customer by customer basis and will be limited to the customer's total exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

	Salam receivables US$ '000	Istisna'a receivables US$ '000	Mudaraba financing US$ '000	Musharaka financing US$ '000	Investments US$ '000	Other assets US$ '000	Other liabilities US$ '000	Total US$ '000
	-	**-**	**10,956**	**242**	**5,647**	**4,148**	**11,390**	**266,086**
	1,361	**392**	**-**	**46**	**757**	**2,469**	**131**	**36,497**
	-	**-**	**-**	**-**	**-**	**1,911**	**-**	**118,399**
	3,770	**126**	**-**	**3,891**	**2,732**	**4,888**	**-**	**43,753**
	5,131	**518**	**10,956**	**4,179**	**9,136**	**13,416**	**11,521**	**464,735**
	-	-	11,110	241	5,324	6,120	27,469	267,888
	2,197	1,118	-	51	960	2,777	2,837	46,489
	-	-	-	-	-	1,343	-	121,009
	2,046	192	-	7,100	1,758	5,266	-	41,357
	4,243	1,310	11,110	7,392	8,042	15,506	30,306	476,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

21 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2014	2013
Net income attributable to the equity shareholders of the parent for the year - US$ '000	**151,731**	144,506
Weighted average number of shares outstanding at the beginning of the year (in thousands)	**1,085,469**	1,040,005
Treasury shares effect (in thousands)	**11**	(114)
Bonus shares effect during the year (in thousands)*	**-**	45,578
Weighted average number of shares outstanding at the end of the year (in thousands)	**1,085,480**	1,085,469
Earnings per share - US cents	**13.98**	13.31

*The weighted average number of shares of the previous year has been adjusted on account of the bonus share issue made in 2013.

22 CASH AND CASH EQUIVALENTS

	2014 US$ '000	2013 US$ '000
Balances with central banks excluding mandatory reserve	**1,634,778**	1,188,887
Balances with other banks	**670,208**	791,780
Cash and cash in transit	**430,135**	324,086
	2,735,121	2,304,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

23 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group and Shari'a supervisory board members.

The income and expenses in respect of related parties were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2014 US$ '000	2013 US$ '000
Net income from jointly financed contracts and investments	2,427	14	133	-	2,574	2,664
Net income from self financed contracts and investments	891	85	-	-	976	766
Return on equity of investment accountholders	-	81	610	-	691	920
Other fees and commission income	855	-	-	-	855	417

Compensation of key management personnel of the Bank, included in consolidated statement of income, is as follows:

	2014 US$ '000	2013 US$ '000
Short term benefits	5,846	4,635
Long term benefits	1,414	893

Director's remuneration accrued for the year ended 31 December 2014 amounted to USD 1.5 million (2013: USD 1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

23 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties at 31 December were as follows:

	Associated companies US$ '000	Major shareholders US$ '000	Directors and key management personnel US$ '000	Other related parties US$ '000	2014 US$ '000	2013 US$ '000
Assets						
Receivables	8,103	2	689	-	8,794	8,918
Mudaraba and Musharaka financing	-	-	1,305	-	1,305	2,657
Investments	56,965	243	-	278	57,486	38,062
Ijarah Muntahia Bittamleek	-	-	933	-	933	1,097
Other assets	1,144	59	598	-	1,801	762
Liabilities:						
Customer current and other accounts	7,385	6,491	916	86	14,878	12,011
Due to banks	-	15,101	-	-	15,101	15,430
Other Liabilities	2,076	23	2	196	2,297	2,098
Equity of investment accountholders	16,015	9,960	8,540	63	34,578	29,707
Off-balance sheet equity of investment accountholders	13,631	8,567	662	-	22,860	13,322

All related party exposures are performing and are free of any provision for possible credit losses.

Details of Directors' and Executive Management's direct and indirect interests in the Bank's shares as at the end of the year were:

Name of Directors/ Executive Management	Position	Nationality	2013 No. of shares	Transaction No. of shares	2014* No. of shares
Saleh Abdullah Kamel	Chairman	Saudi	573,901,281	-	598,853,510
Abdulla Ammar Saudi	Vice Chairman	Bahraini	562,027	-	586,462
Abdulla Saleh Kamel	Vice Chairman	Saudi	285,588	-	298,004
Fahad Abdulla AlRajhi	Board Member	Saudi	21,205,281	-	22,127,249
Mohyedin Saleh Kamel	Board Member	Saudi	597,136	-	623,098
Abdul Elah Sabbahi	Board Member	Saudi	190,534	-	198,818
Adnan Ahmed Yousif	Board Member (President & Chief Executive)	Bahraini	308	-	321
Abdulrahman Shehab	Executive Vice President, Head of Operations and Administration	Bahraini	114,913	-	119,909

* Includes the effect of the Bank's issuance of bonus shares at one bonus share for each 23 shares held following shareholders' approval at the Annual General Meeting on 23 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

24 COMMITMENTS AND CONTINGENCIES

	2014 US$ '000	2013 US$ '000
Letters of credit	877,685	1,111,881
Guarantees	3,388,857	2,881,336
Acceptances	142,917	180,282
Undrawn commitments	811,528	773,961
Others	83,552	50,966
	5,304,539	4,998,426

25 SUKUK ISSUANCE

Al Baraka Turk Participation Bank (ATPB)

During the year, ATPB issued sukuk listed in Irish Stock Exchange for a tenure of 5 years through its fully owned subsidiary Bereket Varlık Kiralama A.Ş., amounting to US$ 350 million. The profit payment of these sukuk will be on semi-annual basis with an expected profit rate of 6.25% per annum. The sukuk subscriptions to an extent of not less than 51% will be utilised to purchase asset portfolio, while the remaining portion to an extent of not more than 49% will be utilised as commodity murabaha. Further, as per the terms of the management agency agreement, any profit in excess of an expected profit rate of 6.25% per annum on sukuk assets principle amount will be recognised as an incentive fee by ATPB.

ATPB derecognised part of its investment assets (Ijarah sukuk) amounting to US$ 178.5 million which were sold to sukuk holders, however, these assets will be managed by ATPB as per the terms of the management agency agreement. Moreover, ATPB has signed a purchase undertaking agreement to buy the assets after 5 years from the sukuk issuance date.

Further, ATPB has entered into a murabaha agreement with sukuk holders for an amount of US$ 171.5 million payable in 5 years with a profit rate of 12.76% per annum to be paid on semi-annual basis. ATPB has recognised this murabaha as part of its long term financing.

Al Baraka Bank (Pakistan) Limited

Al Baraka Pakistan has issued unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 20,508 thousand. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of Al Baraka Pakistan. The tenor of the sukuk is seven years maturing in 2021. The principal repayment, starting after six months of the drawdown date, would be made semi-annually on a straight line basis.

26 SEGMENTAL ANALYSIS

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by the Bank's management and the Board of Directors.

For financial reporting purposes, the Group is divided into the following geographic segments:

Middle East
North Africa
Europe
Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's consolidated financial statements as set out in Note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segment are presented as that is not applicable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

26 SEGMENTAL ANALYSIS (continued)

Segment assets, liabilities and equity of investment accountholders were as follows:

	2014			2013		
	Assets US$ '000	**Liabilities US$ '000**	**IAH US$ '000**	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Segment						
Middle East	**9,668,236**	**2,630,783**	**6,157,725**	8,746,346	2,463,265	5,458,582
North Africa	**2,448,620**	**1,023,181**	**1,106,558**	2,588,865	1,099,882	1,136,874
Europe	**9,665,187**	**3,127,066**	**5,801,091**	8,076,290	2,593,951	4,790,278
Others	**1,681,546**	**468,144**	**1,074,418**	1,556,058	427,630	1,013,710
	23,463,589	**7,249,174**	**14,139,792**	20,967,559	6,584,728	12,399,444

Segment operating income, net operating income and net income were as follows:

	2014			2013		
	Total operating income US$ '000	**Net operating income US$ '000**	**Net income US$ '000**	Total operating income US$ '000	Net operating income US$ '000	Net income US$ '000
Segment						
Middle East	**337,724**	**144,880**	**90,292**	323,815	143,606	70,317
North Africa	**108,903**	**56,727**	**49,093**	128,060	68,068	47,999
Europe	**396,754**	**174,695**	**120,934**	391,526	190,965	127,672
Others	**74,181**	**19,900**	**14,448**	66,083	17,425	11,791
	917,562	**396,202**	**274,767**	909,484	420,064	257,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The management risk committee and executive committees guide and assist with overall management of the Group's balance sheet risks. The Group manages exposures by setting limits approved by the Board of Directors. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The most important types of risk are liquidity risk, credit risk, market risk and other operational risk. Market risk includes currency risk, equity price risk and profit rate risk.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis. Each of the Group's subsidiaries has a documented and implemented domestic and foreign currency liquidity policy appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events.

The table next page summarises the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's retention history of its investment account holders and the availability of bank lines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The consolidated maturity profile at 31 December 2014 was as follows:

	Up to 1 Month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000
ASSETS			
Cash and balances with banks	2,735,121	-	-
Receivables	1,719,630	1,414,712	1,736,626
Mudaraba and Musharaka financing	813,313	6,548	11,881
Investments	1,026,923	279,545	124,702
Ijarah Muntahia Bittamleek	20,723	27,295	46,025
Property and equipment	-	-	-
Other assets	47,488	67,262	20,497
Total assets	**6,363,198**	**1,795,362**	**1,939,731**
LIABILITIES			
Customer current and other accounts	4,509,312	-	-
Due to banks	540,291	178,939	143,179
Long term financing	-	1,474	18,971
Other liabilities	326,805	61,728	129,487
Total Liabilities	**5,376,408**	**242,141**	**291,637**
Equity of investment accountholders	5,865,872	1,687,304	1,063,450
Total liabilities and equity of investment accountholders	**11,242,280**	**1,929,445**	**1,355,087**
Net liquidity gap	**(4,879,082)**	**(134,083)**	**584,644**
Cumulative net liquidity gap	**(4,879,082)**	**(5,013,165)**	**(4,428,521)**
Off-balance sheet equity of investment accountholders/sukukholders	77,681	185,480	193,279

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At 31 December 2014

6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
-	-	-	-	-	-	2,276,141	**5,011,262**
1,924,670	3,137,623	1,173,886	593,300	298,687	413	-	**11,999,547**
24,084	152,218	289,848	232,383	19,511	-	-	**1,549,786**
264,839	426,803	156,910	45,993	38,939	391	214,989	**2,580,034**
103,920	385,164	367,016	197,508	340,269	6,879	-	**1,494,799**
-	-	-	-	-	-	379,323	**379,323**
35,798	48,343	28,309	1,138	82,561	-	117,442	**448,838**
2,353,311	**4,150,151**	**2,015,969**	**1,070,322**	**779,967**	**7,683**	**2,987,895**	**23,463,589**
-	-	-	-	-	-	-	**4,509,312**
266,210	22,000	60,874	-	-	-	-	**1,211,493**
265,191	12,190	357,843	-	-	-	-	**655,669**
23,250	48,363	29,420	209	253,438	-	-	**872,700**
554,651	**82,553**	**448,137**	**209**	**253,438**	**-**	**-**	**7,249,174**
1,244,228	1,410,274	2,275,489	5,479	587,696	-	-	**14,139,792**
1,798,879	**1,492,827**	**2,723,626**	**5,688**	**841,134**	**-**	**-**	**21,388,966**
554,432	**2,657,324**	**(707,657)**	**1,064,634**	**(61,167)**	**7,683**	**2,987,895**	**2,074,623**
(3,874,089)	**(1,216,765)**	**(1,924,422)**	**(859,788)**	**(920,955)**	**(913,272)**	**2,074,623**	
168,590	38,056	368,256	339	166,335	-	-	**1,198,016**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The consolidated maturity profile at 31 December 2013 was as follows:

	Up to 1 Month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000
ASSETS			
Cash and balances with banks	2,304,753	-	-
Receivables	1,688,879	1,282,832	1,693,454
Mudaraba and Musharaka financing	623,652	12,374	12,583
Investments	831,181	227,845	154,236
Ijarah Muntahia Bittamleek	10,328	14,113	141,435
Property and equipment	-	-	-
Other assets	59,142	11,300	10,086
Total assets	5,517,935	1,548,464	2,011,794
LIABILITIES			
Customer current and other accounts	4,249,181	-	-
Due to banks	374,175	264,104	187,149
Long term financing	-	-	-
Other liabilities	290,303	45,016	52,845
Total Liabilities	4,913,659	309,120	239,994
Equity of investment accountholders	5,174,927	1,384,986	1,093,554
Total liabilities and equity of investment accountholders	10,088,586	1,694,106	1,333,548
Net liquidity gap	(4,570,651)	(145,642)	678,246
Cumulative net liquidity gap	(4,570,651)	(4,716,293)	(4,038,047)
Off-balance sheet equity of investment accountholders	95,648	105,162	171,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	20 years and above US$ '000	Undated US$ '000	Total US$ '000
-	-	-	-	-	-	2,492,734	4,797,487
1,875,021	2,847,564	979,430	394,925	6,030	175	49,909	10,818,219
23,982	276,409	102,038	120,917	16,568	-	3,602	1,192,125
491,390	393,465	131,074	29,926	1,411	-	142,302	2,402,830
27,737	117,397	175,959	190,831	250,519	2,390	11,339	942,048
-	-	-	-	-	-	405,880	405,880
16,620	62,765	55,169	6,285	1,965	-	185,638	408,970
2,434,750	3,697,600	1,443,670	742,884	276,493	2,565	3,291,404	20,967,559
-	-	-	-	-	-	-	4,249,181
203,607	22,000	-	-	-	-	44,833	1,095,868
-	273,072	63,163	204,445	-	-	-	540,680
35,884	44,600	9,719	167	-	-	220,465	698,999
239,491	339,672	72,882	204,612	-	-	265,298	6,584,728
1,337,513	2,508,538	830,033	3,493	-	-	66,400	12,399,444
1,577,004	2,848,210	902,915	208,105	-	-	331,698	18,984,172
857,746	849,390	540,755	534,779	276,493	2,565	2,959,706	1,983,387
(3,180,301)	(2,330,911)	(1,790,156)	(1,255,377)	(978,884)	(976,319)	1,983,387	
315,228	13,632	7,316	5,953	-	-	-	714,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

b) Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by the personal guarantees of individuals who own the counterparty, by collateral in form of mortgage of the objects financed or other types of tangible security.

Type of credit risk

Financing contracts mainly comprise Sales (Murabaha) receivables, Salam receivables, Istisna'a receivables, Mudaraba financing, Musharaka financing and Ijarah Muntahia Bittamleek.

Sales (Murabaha) receivables

The Group finances these transactions through buying a commodity which represents the object of the Murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in instalments by the murabeh over the agreed period. The transactions are secured at times by the object of the Murabaha (in case of real estate finance) and other times by a total collateral package securing all the facilities given to the client.

Salam receivables

Salam is a contract whereby the Group makes an immediate payment to a seller for the future delivery of a commodity. To protect itself from risk associated with the commodity the Group simultaneously enters into Parallel Salam contract whereby it sells the commodity for deferred delivery for immediate payment.

Istisna'a receivables

Istisna'a is a sale agreement between the Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured (or acquire) goods and sell it to the customer for an agreed upon price on completion at future date.

Mudaraba financing

The Group enters into Mudaraba contracts by investing in funds managed primarily by other banks and financial institutions for a definite period of time.

Musharaka financing

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Ijarah Muntahia Bittamleek

This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease) term, provided that all Ijarah instalments are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure	
	2014 US$ '000	2013 US$ '000
Balances with other banks	**670,208**	791,780
Receivables	**11,999,547**	10,818,219
Mudaraba and Musharaka financing	**1,549,786**	1,192,125
Investments	**2,257,023**	2,125,604
Other assets	**211,285**	163,109
Total	**16,687,849**	15,090,837
Commitments and contingencies	**5,304,539**	4,998,426
	21,992,388	20,089,263

Credit quality by type of islamic financing contracts

The table below shows the credit quality by type of islamic financing contracts, based on the Group's credit rating system as of:

	31 December 2014			
Type of Islamic Financing Contracts	**Neither past due nor non performing US$ '000**	**Past due but performing US$ '000**	**Non performing islamic financing contracts US$ '000**	**Total US$ '000**
Receivables	**11,460,437**	**453,604**	**501,033**	**12,415,074**
Mudaraba and Musharaka financing	**1,482,965**	**62,630**	**19,326**	**1,564,921**
Other assets	**212,299**	**49**	**12,353**	**224,701**
	13,155,701	**516,283**	**532,712**	**14,204,696**

	31 December 2013			
Type of Islamic Financing Contracts	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing islamic financing contracts US$ '000	Total US$ '000
Receivables	10,661,039	83,664	477,903	11,222,606
Mudaraba and Musharaka financing	1,095,832	88,959	25,836	1,210,627
Other assets	161,301	28	17,286	178,615
	11,918,172	172,651	521,025	12,611,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Aging analysis of past due but performing Islamic financing contracts

The following table summarises the aging of past due but performing islamic financing contracts as of:

	31 December 2014			
Type of Islamic Financing Contracts	**Less than 30 days US$ '000**	**31 to 60 days US$ '000**	**61 to 90 days US$ '000**	**Total US$ '000**
Receivables	**250,027**	**58,901**	**144,676**	**453,604**
Mudaraba and Musharaka financing	**55,989**	**5,644**	**997**	**62,630**
Other assets	**11**	**28**	**10**	**49**
	306,027	**64,573**	**145,683**	**516,283**

	31 December 2013			
Type of Islamic Financing Contracts	Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	43,779	19,422	20,463	83,664
Mudaraba and Musharaka financing	74,107	12,201	2,651	88,959
Other assets	-	22	6	28
	117,886	31,645	23,120	172,651

Credit Risk Mitigation

All the Group's subsidiaries, with exposures secured by real estate or other collateral carry out regular and periodic collateral verification and evaluation. This collateral verification and valuation is conducted by an independent qualified assessor or Collateral Analyst at the subsidiary. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group's subsidiaries allow cars, ships, aircraft, satellites, railcars, and fleets as collateral for a credit and investment product but do not accept perishable assets or any other assets with depreciable life of less than five years. Subsidiaries do not accept any assets as collateral if the assets are susceptible for obsolescence in case they are moved (e.g. furniture). Subsidiaries also ensure that these assets are insured in order to be accepted as collateral.

Third party cheques are accepted as collateral by the Group's subsidiaries. The Group's subsidiaries accept commercial papers as qualifying collateral if they are issued by banks or corporations of good credit standing. Since the maturity tenor of the commercial papers are generally short in nature, they are not accepted as collateral for long–term facilities (i.e. the financing tenor should not exceed the commercial papers maturity tenor). The subsidiaries do not accept vehicle or equipments, if new, as qualifying collateral for more than 80% of its market value. No vehicles or equipments, if used, are accepted as qualifying collateral for more than 50% of its insured value.

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

1) Hamish Jiddiyyah (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honour his promise to perform, the subsidiary has recourse to the deposit.

2) Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable of investment grade rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Credit Risk Mitigation (continued)

3) Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defense for the subsidiary if the purchaser or lessee breaches the contract.

4) Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

   Any excess amount resulting from the closure of the pledge by the subsidiary should be returned to the customer (pledger). The subsidiary should conduct at least annual evaluation of the pledged assets and keep adequate documentation of this evaluation.

5) Cash deposit free from any legal encumbrance with the subsidiary either in the form of equity of investment accountholders or off-balance sheet equity of investment accountholders.

6) Rated and unrated senior sukuk issued by first class financial institutions or by GCC sovereigns.

Credit Quality

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks, in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the Bank in Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

The CRS at the Bank has also been designed to be comparable to the rating system of major international rating agencies (Moody's, Standard & Poor's, Fitch) in respect of their foreign currency rating of countries, governments and financial institutions.

Accordingly, countries, governments and financial Institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to countries and single obligors. Single obligors, in turn are categorised as financial institutions, corporates, governments and retail. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security and other mitigants in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiaries internally to also rate facilities if they so wish).

c) Concentration risk

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

In order to avoid excessive concentrations of risk, the Group policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

c) Concentration risk (continued)

The distribution of assets, liabilities and equity of investment accountholders items by economic sectors was as follows:

	2014			2013		
	Assets US$ '000	Liabilities US$ '000	IAH US$ '000	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	4,345,866	159,368	270,664	3,227,128	236,521	218,488
Mining and quarrying	131,400	1,567	45,980	130,116	1,657	17,237
Agriculture	106,714	4,492	9,045	60,270	1,716	13,733
Construction and real estate	3,009,413	36,237	27,237	2,465,574	37,046	18,948
Financial	3,376,998	2,089,789	1,504,148	2,584,615	2,012,009	1,735,894
Trade	1,646,955	199,853	414,230	1,771,409	178,337	234,779
Personal and consumer finance	2,070,163	3,391,460	10,526,039	2,480,616	3,154,443	8,911,711
Government	6,157,519	53,453	152,124	5,236,727	28,058	60,738
Other services	2,618,561	1,312,955	1,190,324	3,011,104	934,941	1,187,916
	23,463,589	7,249,174	14,139,792	20,967,559	6,584,728	12,399,444

d) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. Under Market Risk Policies currently implemented by management of the Group have set certain limits on the level of risk that may be accepted. This is monitored by local management at the subsidiary level.

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and on equity of investment accountholders. The profit distribution to equity of investment accountholders is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits in line with the market rates.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The Group has total equity portfolio of US$ 108,022 thousand (2013: US$ 100,047 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 104,919 thousand (2013: US$ 97,087 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 3,103 thousand (2013: US$ 2,960 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign exchange risk (continued)

Following is the Group's exposure to different currencies in equivalent US dollars:

	2014		
Currency	**Operational equivalent Long (short) US$ '000**	**Strategic equivalent Long (short) US$ '000**	**Total equivalent Long (short) US$ '000**
Turkish Lira	**(39,446)**	**417,488**	**378,042**
Jordanian Dinar	**(17,480)**	**271,819**	**254,339**
Egyptian Pound	**(23,575)**	**139,502**	**115,927**
Sudanese Pound	**(2,386)**	**29,848**	**27,462**
Algerian Dinar	**-**	**129,817**	**129,817**
Lebanese Pound	**(1,799)**	**19,049**	**17,250**
Pound Sterling	**(3,293)**	**-**	**(3,293)**
Tunisian Dinar	**74,046**	**67,931**	**141,977**
Euro	**(13,855)**	**-**	**(13,855)**
South African Rand	**(313)**	**31,194**	**30,881**
Pakistani Rupees	**1,346**	**62,234**	**63,580**
Syrian Pound	**(314)**	**12,438**	**12,124**
Others	**18,398**	**-**	**18,398**

	2013		
Currency	Operational equivalent Long (short) US$ '000	Strategic equivalent Long (short) US$ '000	Total equivalent Long (short) US$ '000
Turkish Lira	(152,571)	392,016	239,445
Jordanian Dinar	(12,571)	246,406	233,835
Egyptian Pound	(106)	124,230	124,124
Sudanese Pound	1,963	23,837	25,800
Algerian Dinar	-	143,069	143,069
Lebanese Pound	(584)	18,597	18,013
Pound Sterling	41	-	41
Tunisia Dinar	46,307	-	46,307
Euro	(4,999)	-	(4,999)
South African Rand	5,271	22,607	27,878
Pakistani Rupees	(18,047)	62,234	44,187
Syrian Pound	(15,481)	6,956	(8,525)
Others	11,054	-	11,054

The strategic currency risk represents the amount of equity of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgement of the management of the Group.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of owners' equity.

At 31 December 2014

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	44,328	(10%)	(4,030)	10%	4,925
	Total owners' equity	232,234	(10%)	(21,112)	10%	25,804
Egyptian Pound	Net Income	31,611	(15%)	(4,123)	20%	7,903
	Total owners' equity	189,331	(15%)	(24,695)	20%	47,333
Turkish Lira	Net Income	125,040	(20%)	(20,840)	20%	31,260
	Total owners' equity	740,900	(20%)	(123,483)	20%	185,225
Sudanese Pound	Net Income	8,805	(15%)	(1,148)	25%	2,935
	Total owners' equity	39,412	(15%)	(5,141)	25%	13,137
S.African Rand	Net Income	3,597	(10%)	(327)	10%	400
	Total owners' equity	48,354	(10%)	(4,396)	10%	5,373
Syrian Pound	Net Income	22,428	(10%)	(2,039)	25%	3,958
	Total owners' equity	54,080	(10%)	(4,916)	25%	9,544
Pakistani Rupees	Net Income	2,045	(10%)	(186)	15%	361
	Total owners' equity	6,981	(10%)	(635)	15%	1,232
Tunisian Dinar	Net Income	4,765	(10%)	(433)	10%	529
	Total owners' equity	86,647	(10%)	(7,877)	10%	9,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign currency risk sensitivity analysis (continued)

At 31 December 2013

Currency	Particular	Exposures in US$ '000	Maximum expected decrease %	Change in net income and owners' equity US$ '000	Maximum expected increase %	Change in net income and owners' equity US$ '000
Algerian Dinar	Net Income	44,077	(10%)	(4,007)	10%	4,897
	Total owners' equity	112,873	(10%)	(23,267)	10%	28,438
Egyptian Pound	Net Income	20,926	(15%)	3,523	20%	(3,918)
	Total owners' equity	44,375	(15%)	(21,992)	20%	42,151
Turkish Lira	Net Income	127,672	(20%)	(21,279)	20%	31,918
	Total owners' equity	300,046	(20%)	(115,344)	20%	173,016
Sudanese Pound	Net Income	8,932	(15%)	(1,165)	25%	2,977
	Total owners' equity	7,491	(15%)	(4,086)	25%	10,443
S.African Rand	Net Income	3,009	(10%)	(274)	10%	334
	Total owners' equity	13,769	(10%)	(3,307)	10%	4,042
Syrian Pound	Net Income	11,320	(10%)	(1,029)	25%	3,773
	Total owners' equity	23,287	(10%)	(2,749)	25%	10,081
Pakistani Rupees	Net Income	(151)	(10%)	(17)	15%	20
	Total owners' equity	2,391	(10%)	8,663	15%	(2,693)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

e) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Framework

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules, (3) Risk and Control Assessment, (4) Internal Audit, (5) Operational Risk and Basel II and (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Operational Risk framework will be subject to periodic Internal Audit.

The Group categorizes operational risk loss events into the following categories:

Infrastructure Risks

Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group and the subsidiaries might be disrupted and severe operational risks could occur.

In order to hedge the subsidiaries from the infrastructure risk as outlined above, every subsidiary must take all the necessary measures indicated in the Business Continuity Plan and/or Disaster Recovery Plan (BCP and DRP) to cater for these risks.

Information Technology Risks

The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, unauthorized access by third parties or employees, etc.

Staff risk

The main risks that arises from staff risks are risks due to larceny, fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. The Group has also established approval control steps in business processes as well as creating separate internal control processes. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds, etc.

Business risk

This risk may take on the following forms:

1. Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.

2. Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.

3. The extreme case of a completely missing documentation. To hedge this risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore, it is accessible to all employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

27 RISK MANAGEMENT (continued)

f) Corporate governance

Board of Directors

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of four independent non-executive directors as defined in the Rule Book of the CBB.

The Bank is administered by a Board of Directors consisting of not less than five and not more than fifteen members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed fifteen in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the Bahrain Minister of Industry and Commerce.

There are currently thirteen Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in sukuk held at amortised cost have fair values amounting to US$ 2,438 million (2013: US$ 2,123 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 49,531 thousand (2013: US$ 37,554 thousand) which are carried at cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

The fair values of other on-balance sheet financial instruments are not significantly different from the carrying values included in the consolidated financial statement.

29 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 1.6 million (2013: US$ 12.1 million). This amount has been taken to charity.

30 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported consolidated income or consolidated owners' equity.

Additional Public Disclosures

31 December 2014 (Unaudited)

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

1 CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

The Group's capital structure is primarily made of its paid-up capital, including the share premium and reserves, and profit equalization reserve and investment risk reserve. From regulation's perspective, the significant amount of the Group's capital are in Tier I as defined by the CBB, i.e., most of the consolidated capital are of permanent nature.

To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the standardised approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardised Measurement Approach for its Market Risk. To calculate its capital adequacy, the Group follows the accepted approaches approved by the CBB Rulebook. The Group consolidates all subsidiaries for Capital Adequacy Ratio (CAR) calculation. The Group strives to sustain reasonably higher capital cushion that strikes the balance between its business conduct and the regulatory requirements stipulated in the CBB capital adequacy requirements as a minimum accepted level of capital adequacy.

Table – 1. Capital Structure (PD-1.3.12, 1.3.13, 1.3.14 & 1.3.15)

The following table summarises the eligible capital after deductions for calculation as of:

	31 December 2014		31 December 2013	
	Tier 1 US$ '000	**Tier 2 US$ '000**	Tier 1 US$ '000	Tier 2 US$ '000
Tier 1 Capital Components				
Issued and fully paid up ordinary shares	**1,085,608**	-	1,040,168	-
Disclosed reserves				
Legal / statutory reserves	**108,311**	-	93,138	-
Share premium	**17,288**	-	16,753	-
Others	**(274,292)**	-	(194,382)	-
Retained profit brought forward	**397,595**	-	345,071	-
Unrealized gains arising from fair valuing equities (45% only)	**223**	-	127	-
Non-controlling interest in consolidated subsidiaries	**736,544**	-	684,736	-
Less:				
Goodwill	**82,177**	-	87,548	-
Unrealized gross losses arising from fair valuing equity securities	**51,407**	-	51,056	-
Tier 1 Capital before PCD deductions	**1,937,693**	-	1,847,007	-
Tier 2 Capital Components				
Asset revaluation reserve - Property, plant and equipment (45% only)	-	**2,182**	-	525
Unrealized gains arising from fair valuing equities (45% only)	-	**22,284**	-	21,379
Profit equalization reserve	-	**13,045**	-	12,126
Investment risk reserve	-	**198,559**	-	110,424
Subordinated term debt	-	**20,508**	-	-
Collective impairment loss provision	-	**11,521**	-	-
Tier 2 Capital before PCD deductions	-	**268,099**	-	144,454
Total Available Capital	-	**2,205,792**	-	1,991,461

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

1 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (continued)

Table – 1. Capital Structure (PD-1.3.12, 1.3.13, 1.3.14 & 1.3.15) (continued)

	31 December 2014		31 December 2013	
	Tier 1 US$ '000	Tier 2 US$ '000	Tier 1 US$ '000	Tier 2 US$ '000
Deduction				
Investment in insurance entity greater than or equal to 20%	(5,972)	(5,972)	(5,454)	(5,454)
Net Available Capital	1,931,721	262,127	1,841,553	139,000
TOTAL ELIGIBLE CAPITAL		2,193,848		1,980,553

Table – 2. Capital requirement for different type of risks (PD - 1.3.18, 1.3.19)

The following table summarises the capital requirements for credit risk, market risk and operational risk as of:

	31 December 2014		31 December 2013	
	Risk weighted assets US$ '000	Minimum capital requirements US$ '000	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Credit Risk	10,813,841	1,297,661	9,327,487	1,119,298
Market Risk	1,199,247	143,910	1,107,128	132,855
Operational Risk	1,691,760	203,011	1,574,526	188,943
	13,704,847	1,644,582	12,009,141	1,441,096

Table – 3. Capital requirement by type of Islamic financing contracts (PD-1.3.17)

The following table summarises the capital requirements by type of Islamic financing contracts as of:

	31 December 2014		31 December 2013	
	Risk weighted assets US$ '000	Minimum capital requirements US$ '000	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Islamic financing contracts				
Receivables	5,861,564	703,388	5,912,093	709,451
Mudaraba and Musharaka financing	854,285	102,514	735,269	88,232
Ijarah Muntahia Bittamleek	665,205	79,825	654,938	78,593
	7,381,055	885,727	7,302,300	876,276

Table – 4. Capital Adequacy Ratios (PD-1.3.20 (a))

The following are Capital adequacy ratios for total capital and Tier 1 capital as of:

	31 December 2014	31 December 2013
Total capital ratio	16.01%	16.49%
Tier 1 capital ratio	14.10%	15.33%

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

1 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (continued)

Table - 5. The Group's Subsidiaries Capital Adequacy Ratios (PD-1.3.20 (b))

The following are the Group's subsidiaries capital adequacy ratio prepared on the basis of the CBB requirements, which may differ from the local requirements of the countries in which the subsidiaries operate, as of:

	31 December 2014		31 December 2013	
	Tier 1 capital ratio	**Total capital ratio**	Tier 1 capital ratio	Total capital ratio
Head Office	**13%**	**13%**	28%	28%
Banque Al Baraka D'Algerie	**26%**	**26%**	29%	30%
Al Baraka Islamic Bank *	**15%**	**15%**	14%	14%
Al Baraka Bank Tunis	**17%**	**31%**	23%	41%
Al Baraka Bank Egypt	**16%**	**18%**	17%	17%
Al Baraka Bank Lebanon	**10%**	**12%**	12%	13%
Jordan Islamic Bank	**20%**	**20%**	16%	16%
Al Baraka Turk Participation Bank	**11%**	**15%**	14%	19%
Al Baraka Bank Limited	**27%**	**27%**	22%	26%
Al Baraka Bank Sudan	**11%**	**13%**	13%	14%
Al Baraka Bank Syria	**15%**	**15%**	17%	18%

* These ratios represents the consolidated ratios and Al Baraka Pakistan has tier 1 capital ratio of 15.48% (2013: 17.07%) and total capital ratio of 22.03% (2013: 22.48%).

Legal restrictions on capital and income mobility (PD-1.3.6 (c))

There are no major restrictions in distributing profits by the subsidiaries to the Bank. Such distribution should go through the legal and regulatory channels applicable in each jurisdiction. Mobilisation of capital, reserves and equivalent funds out of the subsidiaries to the parent is subject to the local rules and regulations. The parent is not subject to any restriction to support its subsidiary in the form of deposits or capital. However, as a procedure, a prior written approval has to be obtained from the CBB for increasing investments in subsidiaries.

Table – 6. Distribution of ownership of shares by nationality (PD-1.3.10(i))

The following table summarises the distribution of ownership of shares by nationality/ incorporation as of:

Nationality/ Incorporation	**31 December 2014 % holding**	31 December 2013 % holding
Bahraini	**27.05**	26.01
Saudi	**42.82**	42.74
Cayman Islands	**19.33**	19.32
Emirati	**7.37**	8.58
Kuwaiti	**1.09**	1.09
Others	**2.34**	2.26

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT

The Group's risk management strategies have been effectively implemented and the objectives outlined at the beginning of year 2014 across subsidiaries were successfully achieved. The Group is striving to bolster and instil the best practices of risk management in subsidiaries' risk management functions for the next reporting period by ensuring prudent implementation of risk management policies which entails risk identification, limit controls, monitoring and reporting.

The Group's risk management has the following objectives:

a. Unified Group-wide risk management to enable the Group to produce risk adjusted return on capital.

b. Creation of professional risk management culture throughout the Group with prudent, disciplined approach to risk taking based on comprehensive Group-wide policies, processes and limits.

c. Professionally qualified staff and ongoing credit training.

d. Investing in technology and systems for best practice risk management.

e. Throughout the Group, strict segregation of duties and reporting lines between personnel transacting business and personnel processing that business.

f. Strict compliance with all Shari'a and legal requirements and regulatory directives.

g. Maintaining clear, well documented policies via Group Risk Management Manual and also Risk Management Manuals by each of the Group's subsidiaries which incorporate the uniform policies and procedures of the Group in addition to the local requirements.

a) Liquidity risk

The liquidity management policy at a minimum includes the following:

a. Provide clear guidance on the composition and role of the asset/liability committee or such other committee or department responsible for managing liquidity.

b. Establish approval processes to ensure adherence to liquidity risk management processes.

c. Require periodic calculations to determine the extent to which the subsidiary is funding long-term assets with short-term liabilities.

d. Establish liquidity ratio benchmarks, e.g. parameters for the funding of long-term assets with short-term liabilities to guide liquidity management and the method for computing liquidity indicators.

e. Establish limits on the degree of concentrations that are deemed acceptable. This should:

   i) Ensure diversification of funding by origin and term structure by, for example, guarding against concentration by individuals or groups of depositors, types of deposit instruments, market sources of deposit, geographical sources, term to maturity, and deposit currencies. Where concentrations occur, the Group's subsidiaries manage their assets and liquidity profile to mitigate the risk; and

   ii) Set procedures for the orderly restoration of the liquidity position in the event of loss of funding where such concentrations are unavoidable. In addition, the Group's subsidiaries conduct an impact analysis on its dependency on any such concentrations.

f. Periodic review of the deposit structure. The review should include the volume and trend of various types of deposits offered, maturity distributions of time deposits, profit rate paid on each type of deposit, prevailing market profit rate, limits on large time deposits, public funds, and non-resident deposits.

g. Review of alternate funding sources including stand-by facilities and lines of credit.

h. Establish a framework for the composition of assets.

i. Assess the acceptable mismatch in combination with currency commitments. The Group's subsidiaries undertake separate analysis of their strategy for each currency individually. They set and regularly review limits on the size of cash flow mismatches over particular time horizons for foreign currencies in aggregate, and for each significant currency.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

Table – 7. Liquidity Ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

	31 December 2014	31 December 2013
Short term assets to short term liabilities	**76%**	78%
Liquid assets to total assets	**26%**	27%

b) Credit risk

General credit policies and guiding principles

The following principles summarise the Group's financing and investing policies and form the framework of all financing decisions:

a. Financing will be extended when the Group can confidently expect that it will be repaid by the customer as agreed. This necessitates a thorough knowledge of the customer and clear understanding of the risks underlying the credit requests.

b. Financing should be extended where there are at least two clear sources of repayments.

c. It is generally preferred that the repayments are from cash generated by the customers' productive and ongoing income or activities.

d. Amounts, profits/other charges and terms under the prevailing market conditions for any proposed financing are to be consistent with the perceived quality of the risk being undertaken.

e. Financing should generally be extended where the Group's seniority as creditors is pari passu or better than any other financing.

f. Financing should be structured appropriately considering the purpose of the credit and the source of repayment.

g. Financing needs to be assessed on a stand alone basis as well as on portfolio basis to assess its impact on the total financing portfolio.

h. Compliance with all applicable local statutory and regulatory directives guidelines should be ensured in all cases.

i. Propriety and ethical standards should be taken into account in all financing decisions.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Table - 8. Gross funded and unfunded exposure (PD-1.3.23(a))

The Group's assets are funded by equity of investment accountholders (IAH) as well as the Group's own capital and current accounts (Self). The percentage of funding varies for each of the Group's subsidiary based on market conditions and applicable rules and regulations.

The following table summarises the amount of gross funded and unfunded credit exposure and average gross funded and unfunded exposure as of:

	31 December 2014				
	Self financed		Financed by IAH		Total
	Total gross credit exposure US$ '000	*Average gross credit exposure over the year US$ '000	Total gross credit exposure US$ '000	*Average gross credit exposure over the year US$ '000	Total self financed and financed by IAH US$ '000
Funded Exposure					
Receivables	5,900,467	5,383,691	6,099,080	5,972,459	11,999,547
Mudaraba and Musharaka financing	827,792	734,534	721,994	632,054	1,549,786
Investments	1,197,501	1,187,578	1,382,533	1,338,330	2,580,034
Ijarah Muntahia Bittamleek	809,646	629,753	685,153	607,939	1,494,799
Other assets	109,596	123,404	101,689	92,612	211,285
Unfunded Exposure					
Commitments and contingencies	5,304,539	5,035,548	-	-	5,304,539
	14,149,541		8,990,449		23,139,990

	31 December 2013				
	Self financed		Financed by IAH		Total
	Total gross credit exposure US$ '000	*Average gross credit exposure over the year US$ '000	Total gross credit exposure US$ '000	*Average gross credit exposure over the year US$ '000	Total self financed and financed by IAH US$ '000
Funded Exposure					
Receivables	5,244,708	5,212,360	5,573,511	5,519,545	10,818,219
Mudaraba and Musharaka financing	671,144	536,011	520,981	501,280	1,192,125
Investments	1,143,439	1,047,987	1,259,391	1,176,131	2,402,830
Ijarah Muntahia Bittamleek	433,111	391,118	508,937	470,924	942,048
Other assets	82,344	84,784	80,765	79,454	163,109
Unfunded Exposure					
Commitments and contingencies	4,998,426	5,086,884	-	-	4,998,426
	12,573,172		7,943,585		20,516,757

*Average Balances are computed based on quarter-end balances.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Table - 9. Geographic distribution of the gross funded exposure (PD-1.3.23(b))

The following table summarises the geographic distribution of gross funded exposure as of 31 December 2014, broken down into significant areas by major types of credit exposure:

	Self financed				
	Middle East US$ '000	**North Africa US$ '000**	**Europe US$ '000**	**Others US$ '000**	**Total US$ '000**
Receivables	**1,465,071**	**462,243**	**3,767,368**	**205,785**	**5,900,467**
Mudaraba and Musharaka financing	**495,846**	**82,670**	**135,934**	**113,342**	**827,792**
Investments	**510,534**	**88,472**	**442,624**	**155,871**	**1,197,501**
Ijarah Muntahia Bittamleek	**280,378**	**212,916**	**304,878**	**11,474**	**809,646**
Other Assets	**63,573**	**8,854**	**9,523**	**27,646**	**109,596**
	2,815,402	**855,155**	**4,660,327**	**514,118**	**8,845,002**

The following table summarises the geographic distribution of gross funded exposure as of 31 December 2013, broken down into significant areas by major types of credit exposure:

	Self financed				
	Middle East US$ '000	North Africa US$ '000	Europe US$ '000	Others US$ '000	Total US$ '000
Receivables	1,428,990	416,541	3,208,996	190,181	5,244,708
Mudaraba and Musharaka financing	457,075	91,945	61,621	60,503	671,144
Investments	444,010	83,864	474,078	141,487	1,143,439
Ijarah Muntahia Bittamleek	219,137	171,442	34,073	8,459	433,111
Other Assets	52,038	8,493	5,876	15,937	82,344
	2,601,250	772,285	3,784,644	416,567	7,574,746

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

	Financed by IAH					IAH & Self financed
	Middle East US$ '000	**North Africa US$ '000**	**Europe US$ '000**	**Others US$ '000**	**Total US$ '000**	**Total US$ '000**
	2,611,407	**371,571**	**2,757,810**	**358,292**	**6,099,080**	**11,999,547**
	323,470	**67,029**	**-**	**331,496**	**721,994**	**1,549,786**
	1,221,328	**58,791**	**-**	**102,414**	**1,382,533**	**2,580,034**
	483,670	**170,477**	**281**	**30,725**	**685,153**	**1,494,799**
	45,174	**7,100**	**13,436**	**35,979**	**101,689**	**211,285**
	4,685,049	**674,968**	**2,771,527**	**858,905**	**8,990,449**	**17,835,451**

	Financed by IAH					IAH & Self financed
	Middle East US$ '000	North Africa US$ '000	Europe US$ '000	Others US$ '000	Total US$ '000	Total US$ '000
	2,524,366	324,324	2,389,776	335,045	5,573,511	10,818,219
	223,840	81,870	-	215,271	520,981	1,192,125
	1,078,657	60,321	-	120,413	1,259,391	2,402,830
	359,381	126,355	77	23,124	508,937	942,048
	46,147	6,507	8,046	20,065	80,765	163,109
	4,232,391	599,377	2,397,899	713,918	7,943,585	15,518,331

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Table - 10. Exposure by counterparty type (PD-1.3.23(c))

The following table summarises the distribution of funded and unfunded exposure by counterparty type, broken down by major types of credit exposures as of 31 December 2014:

	Funded Exposures					
	Receivables		Mudaraba and Musharaka financing		Investments	
	Self	IAH	Self	IAH	Self	IAH
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Claims on sovereigns	354,932	525,996	-	8,303	846,648	1,090,006
Claims on multi-lateral development banks	-	318	-	-	-	-
Claims on investment firms	-	1,519	-	-	26,371	-
Claims on banks	148,889	315,285	76,393	-	100,387	40,844
Claims on corporates	4,601,953	3,385,273	-	279,181	96,253	96,872
Claims on retail	724,233	1,725,864	-	590	-	-
Past dues receivables	70,460	144,825	-	910	-	-
Equity investment	-	-	350,030	283,618	53,559	50,359
Investment in Funds	-	-	-	-	16,455	8,705
Specialized Lending	-	-	401,369	149,392	-	-
Other assets	-	-	-	-	57,828	95,747
Total	5,900,467	6,099,080	827,792	721,994	1,197,501	1,382,533

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

				Unfunded Exposures		Funded and Unfunded Exposures	
Ijarah Muntahia Bittamleek		Other Assets		Commitments and contingencies		Total	
Self	IAH	Self	IAH	Self	IAH	Self	IAH
US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
-	28,394	-	-	7,814	-	1,209,394	1,652,699
-	-	-	-	118	-	118	318
-	-	-	-	-	-	26,371	1,519
-	1,505	-	-	91,352	-	417,021	357,634
526,242	245,178	-	-	5,099,874	-	10,324,322	4,006,504
280,484	400,395	-	-	91,210	-	1,095,927	2,126,849
2,920	9,681	-	-	14,171	-	87,551	155,416
-	-	-	-	-	-	403,589	333,977
-	-	-	-	-	-	16,455	8,705
-	-	-	-	-	-	401,369	149,392
-	-	109,596	101,689	-	-	167,424	197,436
809,646	685,153	109,596	101,689	5,304,539	-	14,149,541	8,990,449

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Table - 10. Exposure by counterparty type (PD-1.3.23(c)) (continued)

The following table summarises the distribution of funded and unfunded exposure by counterparty type, broken down by major types of credit exposures as of 31 December 2013:

	Funded Exposures					
	Receivables		Mudaraba and Musharaka financing		Investments	
	Self	IAH	Self	IAH	Self	IAH
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Claims on sovereigns	350,718	619,417	-	1,845	969,573	1,039,089
Claims on multi-lateral development banks	2,992	10,075	-	-	-	-
Claims on investment firms	-	-	-	-	31,038	-
Claims on banks	147,295	318,891	162,681	58,442	16,659	56,947
Claims on corporates	3,997,081	3,003,431	6,209	61,782	7,092	23,438
Claims on retail	703,737	1,477,774	-	956	-	-
Past dues receivables	42,885	143,923	-	3,391	-	-
Equity investment	-	-	347,623	100,233	57,701	43,855
Investment in Funds	-	-	-	-	15,141	8,496
Specialized Lending	-	-	154,631	294,332	-	-
Other assets	-	-	-	-	46,235	87,566
Total	5,244,708	5,573,511	671,144	520,981	1,143,439	1,259,391

The Group is working in a highly regulated environment which monitors high risk credit exposures on a regular basis.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

				Unfunded Exposures		Funded and Unfunded Exposures	
Ijarah Muntahia Bittamleek		Other Assets		Commitments and contingencies		Total	
Self	IAH	Self	IAH	Self	IAH	Self	IAH
US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
-	26,157	-	-	18,785	-	1,339,076	1,686,508
-	-	-	-	-	-	2,992	10,075
-	-	-	-	-	-	31,038	-
186	3,010	-	-	116,762	-	443,583	437,290
93,207	146,268	-	-	4,593,063	-	8,696,652	3,234,919
337,478	329,905	-	-	260,257	-	1,301,472	1,808,635
2,240	3,597	-	-	9,559	-	54,684	150,911
-	-	-	-	-	-	405,324	144,088
-	-	-	-	-	-	15,141	8,496
-	-	-	-	-	-	154,631	294,332
-	-	82,344	80,765	-	-	128,579	168,331
433,111	508,937	82,344	80,765	4,998,426	-	12,573,172	7,943,585

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b. Credit risk (continued)

Large Credit Exposure (PD - 1.3.23 (f))

The Group follows the CBB's guidelines with respect to the definition and measurement of large exposures at the consolidated level as stipulated in the CBB Rulebook for Islamic Banks.

There are no large exposures to individual counterparties where the exposure is in excess of the 15% individual obligor limit that qualifies for the deduction requirement as per CBB's guidelines.

Past due, non-performing Islamic financing contracts and provisions (PD-1.3.22 (a))

Past due represents instalments that are not received on the contractual repayments date. The Group considers non-performing Islamic financing contracts as the contracts that are overdue for a period of 90 or more days. These exposures are placed on a non-accrual status with profit being recognised to the extent that it is actually received. It is the Group's policy that when an exposure is overdue for a period of 90 or more days, the whole financing facility extended is considered as past due, not only overdue instalments/payments.

Table -11. Credit quality of Islamic financing contracts by counterparty type (PD-1.3.23(h), 1.3.24 (b))

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2014:

					Aging of non performing Islamic financing contracts		
	Total US$ '000	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	90 days to 1 year US$ '000	1 year to 3 years US$ '000	Over 3 years US$ '000
Sovereign	**923,053**	**899,728**	**23,325**	**-**	**-**	**-**	**-**
Bank	**972,587**	**968,574**	**-**	**4,013**	**-**	**-**	**4,013**
Investment Firms	**41,132**	**5,485**	**-**	**35,647**	**2,415**	**-**	**33,232**
Corporates	**8,450,539**	**7,734,388**	**350,217**	**365,934**	**88,623**	**125,024**	**152,287**
Retail	**3,817,385**	**3,547,526**	**142,741**	**127,118**	**26,726**	**29,639**	**70,753**
	14,204,696	**13,155,701**	**516,283**	**532,712**	**117,764**	**154,663**	**260,285**

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2013:

					Aging of non performing Islamic financing contracts		
	Total US$ '000	Neither past due nor non performing US$ '000	Past due but performing US$ '000	Non performing Islamic financing contracts US$ '000	90 days to 1 year US$ '000	1 year to 3 years US$ '000	Over 3 years US$ '000
Sovereign	1,085,355	1,081,496	3,859	-	-	-	-
Bank	1,598,839	1,594,781	-	4,058	3,683	-	375
Investment Firms	70,563	33,860	-	36,703	-	155	36,548
Corporates	6,554,999	6,173,394	51,070	330,535	84,070	93,092	153,373
Retail	3,302,092	3,034,641	117,722	149,729	38,604	45,884	65,241
	12,611,848	11,918,172	172,651	521,025	126,357	139,131	255,537

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b. Credit risk (continued)

Table -12. Specific provisions by counterparty type (PD-1.3.23 (h), 1.3.24 (d))

The following table summarises the total specific provisions disclosed by counterparty type as of 31 December 2014:

	Specific provisions						
	Opening Balance US$ '000	Charges during the year US$ '000	Write-Back during the year US$ '000	Write-offs during the year US$ '000	Appropriation from IAH during the year US$ '000	Foreign exchange translations/ others - net US$ '000	Balance at the end of the year US$ '000
Bank	2,613	930	-	-	-	(10)	3,533
Investment Firms	4,365	840	(840)	-	-	(486)	3,879
Corporates	323,365	76,841	(42,560)	(12,778)	3,113	(13,747)	334,234
Retail	116,094	8,570	(9,282)	(235)	2,175	(5,754)	111,568
	446,437	87,181	(52,682)	(13,013)	5,288	(19,997)	453,214

The following table summarises the total specific provisions disclosed by counterparty type as of 31 December 2013:

	Specific provisions						
	Opening Balance US$ '000	Charges during the year US$ '000	Write-Back during the year US$ '000	Write-offs during the year US$ '000	Appropriation from IAH during the year US$ '000	Foreign exchange translations/ others - net US$ '000	Balance at the end of the year US$ '000
Bank	2,963	-	-	-	-	(350)	2,613
Investment Firms	10,481	600	(491)	(5,699)	-	(526)	4,365
Corporates	328,796	109,425	(63,634)	(39,076)	17,759	(29,905)	323,365
Retail	120,177	12,356	(4,782)	(11,575)	4,048	(4,130)	116,094
	462,417	122,381	(68,907)	(56,350)	21,807	(34,911)	446,437

Table -13. General provisions movement (PD-1.3.23 (h), 1.3.24 (d))

The following table summarises the movement of general provisions during the year ended:

	31 December 2014 US$ '000	31 December 2013 US$ '000
Opening Balance	30,306	18,210
Charges during the year	2,073	8,974
Write-Back during the year	(19,744)	(1)
Write-offs during the year	(152)	(28)
Foreign exchange translations/ others	(962)	3,151
Balance at the end of the year	11,521	30,306

This represents collective provision against exposures which, although not specifically identified, have a greater risk of default than when originally granted.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b. Credit risk (continued)

Table - 14. Past due and non-performing Islamic financing contracts and provisions by geographic areas (PD-1.3.23(i), PD-1.3.24(c))

The following table summarises the total past due and non performing Islamic financing contracts and provisions disclosed by geographical area as of:

	31 December 2014			31 December 2013		
	Past due and non performing Islamic financing contracts US$ '000	**Specific provision US$ '000**	**General provision US$ '000**	Past due and non performing Islamic financing contracts US$ '000	Specific provision US$ '000	General provision US$ '000
Middle East	**305,205**	**249,049**	**11,390**	282,742	235,095	27,469
North Africa	**90,183**	**35,609**	**131**	73,834	42,692	2,837
Europe	**500,388**	**118,399**	**-**	132,453	121,009	-
Others	**153,219**	**41,021**	**-**	204,647	39,599	-
	1,048,995	**444,078**	**11,521**	693,676	438,395	30,306

Table - 15. Renegotiated Islamic financing contracts (PD-1.3.23(j))

	31 December 2014 US$ '000	31 December 2013 US$ '000
Renegotiated Islamic financing contracts	**141,745**	140,299

There is no significant impact of the renegotiated Islamic financing contracts on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities is immaterial.

Others (PD-1.3.23(k), (l), PD-1.3.25(b) & (c))

The Group has no significant obligations with respect to recourse transaction.
The Group has not imposed any material penalties on customers for defaults.
The Group does not make use of eligible collaterals and guarantees in its credit risk analysis.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

b. Credit risk (continued)

Table - 16. Counterparty Credit (PD-1.3.26 (b))

The following table summarises the counterparty credit risk exposure covered by collateral after the application of haircuts as of:

	31 December 2014 US$ '000	31 December 2013 US$ '000
Gross positive fair value of contracts	17,624,166	15,355,222
Netting Benefits	-	-
Netted Current Credit Exposure	17,624,166	15,355,222
Collateral held:		
Cash	504,852	458,379
Others	5,379,610	4,668,140
Real Estate	12,542,003	9,900,605
	18,426,465	15,027,124

The utilisation of the collaterals will be on a customer by customer basis and will be limited to the customer's total exposure.

c) Market risk

Market risk includes profit rate risk, displaced commercial risk, equity price risk and foreign exchange rate risk. The management of the Group have set limits on the level of risk that may be accepted. This is monitored by the local management at the subsidiary level.

Table – 17. Market Risk Capital Requirements (PD-1.3.27 (b))

The following table summarises the capital requirement for each category of market risk as of:

	31 December 2014		31 December 2013	
	Equity position risk US$ '000	Foreign exchange risk US$ '000	Equity position risk US$ '000	Foreign exchange risk US$ '000
Risk weighted exposure (RWE)	-	1,199,247	-	1,107,128
Capital requirements (12%)	-	143,910	-	132,855
Maximum value of RWE	-	1,199,247	-	1,107,128
Minimum value of RWE	-	981,668	-	871,496

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and IAH. The profit distribution to IAH is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

Displaced Commercial Risk

The Group is exposed to displaced commercial risk in the event of having IAH profit rates that are lower than market rates. The Group has partially mitigated this risk through the setting up of reserves that will be used in case of a drop in IAH profit rates. The policies and procedures for displaced commercial risk are formulated and implemented at the individual subsidiary level.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

Equity-type instruments at fair value through equity and investments in real estate are kept for capital gain purposes.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

c) Market risk (continued)

If financial instruments qualify to be included in the trading book, these must not exceed 25% of the total subsidiary's assets portfolio. For equity securities, the subsidiaries are required to observe the sectoral concentration limits outlined by the Group and/or their local requirement in this respect. Since trading securities in the trading book would be under marked-to-market requirement, the Risk Manager at the subsidiary level should immediately bring to the Credit and Risk Management at the Group as well as the subsidiary's asset/liability committee any volatility of position's value that is 15% or higher than the subsidiary's eligible capital to decide upon the appropriate course of action.

Table – 18. Equity Position Risk in Banking Book (PD-1.3.31 (b) (c) & (f))

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2014:

2014	Total gross exposure US$ '000	Average gross exposure over the year US$ '000	Publicly held US$ '000	Privately held US$ '000	Capital requirement US$ '000
Sukook and similar items	2,257,023	2,229,292	1,236,622	1,020,401	31,186
Equity Investment	131,494	122,719	64,429	67,065	80,305
Managed funds	31,968	27,902	21,290	10,678	3,345
	2,420,485	2,379,913	1,322,341	1,098,144	114,836

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2013:

2013	Total gross exposure US$ '000	Average gross exposure over the year US$ '000	Publicly held US$ '000	Privately held US$ '000	Capital requirement US$ '000
Sukook and similar items	2,125,604	1,903,011	999,683	1,125,921	37,019
Equity Investment	113,037	142,516	72,015	41,022	45,275
Managed funds	24,839	45,706	16,401	8,438	6,075
	2,263,480	2,091,232	1,088,099	1,175,381	88,369

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

2 RISK MANAGEMENT (continued)

c) Market risk (continued)

Table – 19. Equity gains or losses in banking book (PD-1.3.31 (d) and (e))

The following table summarises the cumulative realised and unrealised gains or losses during the year ended:

	31 December 2014 US$ '000	31 December 2013 US$ '000
Cumulative realised gains arising from sales or liquidations in the reporting year	**2,416**	3,391
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	**(1,887)**	(3,547)
Unrealised gross losses included in Tier 1 Capital	**(51,407)**	(51,056)
Unrealised gains included in Tier 1 Capital (45% only)	**223**	127
Unrealised gains included in Tier 2 Capital (45% only)	**22,284**	21,379

Foreign exchange risk

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

d) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Table - 20. Operational risk exposure (PD-1.3.30 (a), (b) & (c))

The following table summarises the amount of exposure subject to basic indicator approach of operational risk and related capital requirements:

	Gross income			
	2014 US$ '000	2013 US$ '000	2012 US$ '000	2011 US$ '000
Total Gross Income	**917,562**	909,484	879,770	729,987

	2014	2013
Indicators of operational risk		
Average Gross income (US$ '000)	**902,272**	839,747
Multiplier	**12.5**	12.5
	11,278,400	10,496,838
Eligible Portion for the purpose of the calculation	**15%**	15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US$ '000)	**1,691,760**	1,574,526

The Group has no material legal contingencies including pending legal action.

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules (3) Risk and Control Assessment (4) Internal Audit (5) Operational Risk and Basel II (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

ADDITIONAL PUBLIC DISCLOSURES
31 December 2014

2 RISK MANAGEMENT (continued)

d) Operational risk(continued)
The Group's policy also lays out the Operational Risk Management structure and the roles of all staff associated with operational risk. The major functional roles are defined for:

- Risk Management Committee
- Head of Credit and Risk Management
- Head of Operational, Liquidity and Market Risk
- Various departments

Operational Risk Management Framework
The Risk Control Self Assessment exercise is viewed as an important part of the Group's Operational Risk Framework. It is proposed to be conducted every year by the Risk Management Department in coordination with the Internal Audit Department. In addition, the assessment shall also be based on the severity of the residual risks identified through Internal Audit reviews.

The Key processes identified in a Risk Control Self Assessment are:

- Risk and Control Identification Process
- Measurement of Operational Risk Exposures
- Identifying Unacceptable Risk Exposures
- Risk Action Plans.

The Operational Risk framework will be subject to periodic internal audit.

3 CORPORATE GOVERNANCE

Code of business conduct and ethics for members of the board of directors
Purpose:
The primary objectives of the following Code of Business Conduct and Ethics (the "Code") is to enable each Director to focus on areas of ethical risks, to help them recognize and deal with ethical issues, to provide mechanisms for reporting unethical conduct, and to foster a culture of honesty and accountability within the Group.

Conflict of interest:
Each Director must avoid any situation which may give rise to a conflict between their interests and those of the Group. Any situation which either will or may involve, a conflict of interest should be disclosed promptly to the Board of Directors in writing in advance of the meeting or verbally in the meeting itself. The concerned Director shall abstain from any discussion or decision on the matter of question. A conflict of interest can occur when a Director's personal interest is adverse to, or appears to be, adverse to the interests of the Group. Conflicts of interest also arise when a Director, or a member of their immediate family, receives an improper personal benefit as a result of their position as a Director of the Group. Common conflicts which Directors must endeavor to avoid include, but are not limited to, the following:

1. Engagement in any conduct or activity which may conflict with the best interests of the Group, or which may disrupt or impair Group's standing with any person or entity with whom or which the Group has to proposes to enter into a business or contractual relationship.

2. Acceptance of compensation (in any form) for services performed in relation to the Group from any source other than from the Group.

3. Acceptance by them or any member of their family of gifts from persons or entities who or which deal with the Group where acceptance of such gifts could generate a sense of obligation and thereby create a potential conflict of interest.

4. Utilization of the Group's assets, employees or information for personal use without obtaining the prior approval of the Board of Directors.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

3 CORPORATE GOVERNANCE (continued)

Confidentiality:
Confidential information includes all non-public information relating to the Group, whether in written or in oral form. Directors are under continuous obligation to maintain the confidentiality of information entrusted directly to them by the Group and any other confidential information about the Group which comes to them, from whatever source, in their capacity as a Director. Directors may disclose confidential information if such disclosures are mandated by the law.

Compliance with Rules, Laws and Regulation:
Directors shall, at all times, comply with all laws, rules and regulations applicable to the Group, including insider trading laws.

Remuneration
The Group incentivise its Board members, executives and senior management and its Shari'a Board members in accordance to the remuneration policies and procedures approved by the Board. This policy links the incentives to the performance appraisal. The Group's corporate governance policy details the performance appraisal for the Board members.

The following table summarises remuneration of the Group's Directors, Shari'a Committee members, President & Chief Executive, Deputy Chief Executive and the Department Heads at Group Headquarters during the year ended:

	31 December 2014 US$ '000	31 December 2013 US$ '000
Directors remuneration	**1,500**	1,000
Executive Management		
Salary and other remuneration, including meeting allowance	**4,914**	3,505
Fees	**129**	135
Bonuses	**709**	876
Benefits-in-kind	**1,508**	1,012
	7,260	5,528
Shari'a Committee Members fee and remuneration	**504**	354
	9,264	6,882

Complaints
The Group has adopted a special media approach to ensure that all the Group's stakeholders are well channelled through to the management. The contracted special media watch detect any news or complaints related to the Group and bring them to the attention of the Group's executive management.

Financial Penalty
During the year a financial penalty of US$ 53,050 (BD 20,000) was paid to the CBB on account of late submission of the audited financial statements of two subsidiaries. The Group has submitted the audited financial statements of the two subsidiaries in draft form within the established deadlines. The reasons for such a delay were due to not finalising local regulatory approvals in the countries of the subsidiaries in question within the established deadlines by the CBB.

Related party transactions
Related party transactions are governed by the Group corporate governance policy and individual subsidiaries' local rules and regulations. All related party transactions were conducted at arm's length.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

3 CORPORATE GOVERNANCE (continued)

External Auditors

The Board Audit Committee has continued to review the work carried out by the external auditors during the year, in particular timeliness of reporting, quality of work and related fees. Overall the Audit Committee believes that the work of the external auditors has been of a sufficiently high standard and that the fees are reasonable and therefore recommended to the Board and accordingly to the annual general meeting (AGM) to re-appoint the external auditors as auditor for the 2014 financial year. The AGM has approved the reappointment of the external auditor for the year 2014 on 23 March 2014 and the related regulatory approval were taken.

4 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES

The Group is exposed to some of the price risk on assets funded by IAH. The CBB requires the Group to maintain capital to cover the price risk arising from 30% of assets funded by IAH on a pro-rata basis. IAH funds are invested and managed in accordance with Shari'a requirements.

Table – 21. Equity of IAH (PD-1.3.33 (a), (b) & (c))

The following table summarises the breakdown of IAH and return on IAH as of:

	31 December 2014 US$ '000	31 December 2013 US$ '000
IAH - Banks	**473,117**	441,176
IAH - Non-banks	**13,439,394**	11,827,042
Profit equalisation reserve (PER) - Banks	**451**	443
Profit equalisation reserve (PER) - Non-banks	**12,594**	11,683
Investment risk reserve (IRR) - Banks	**6,870**	4,038
Investment risk reserve (IRR) - Non-banks	**191,689**	106,386
Cumulative changes in fair value attributable to IAH	**15,677**	8,676
	14,139,792	12,399,444

Table – 22. Return on average IAH (PD-1.3.33 (d))

	2014 %	2013 %
Return on average IAH Equity	**5.2**	5.0
Return on average IAH Assets	**7.7**	7.6

Table – 23. Ratio by type of IAH (PD-1.3.33 (g))

	2014 %	2013 %
IAH - Banks	**3**	4
IAH - Non-banks	**97**	96

The appropriation percentage of IAH into profit equalisation reserve and investment risk reserve varies between each of the Group's subsidiary based on market conditions and applicable rules and regulations.

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

4 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES (continued)

Table – 24. IAH by Islamic financing product type (PD-1.3.33 (h))

The following table summarises the percentage of IAH financing for each type of Shari'a-compliant contract to total IAH financing as of:

	2014 %	2013 %
Receivables	**81**	84
Mudaraba and Musharaka financing	**10**	8
Ijarah Muntahia Bittamleek	**9**	8

Table – 25. IAH by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	2014 %	2013 %
Sovereign	**3**	2
Bank	**3**	3
Investment Firms	**8**	9
Corporates	**12**	15
Retail	**74**	71

IAH Share of Profit (PD-1.3.33 (e) & (q))

The Group's share of profit as a Mudarib for managing IAH and the IAHs' share of income is based on the terms and conditions of the related Mudaraba agreements. These Mudaraba agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on IAH returns are analysed at the local level.

Table – 26. IAH by type of Assets (PD-1.3.33 (r) & (s))

The following table summarises the types of assets in which the funds are invested, the actual allocation among various types of assets and the changes in the asset allocation in the last six months of the year ended:

	31 December 2014			31 December 2013		
	Opening Actual Allocation US$ '000	**Movement US$ '000**	**Closing Actual Allocation US$ '000**	Opening Actual Allocation US$ '000	Movement US$ '000	Closing Actual Allocation US$ '000
Cash and balances with banks	**4,539,698**	**448,224**	**4,987,922**	3,823,239	504,908	4,328,147
Receivables	**6,032,543**	**66,537**	**6,099,080**	5,440,607	132,904	5,573,511
Mudaraba and Musharaka financing	**564,519**	**157,475**	**721,994**	508,736	12,245	520,981
Investments	**1,320,961**	**61,572**	**1,382,533**	1,121,502	137,889	1,259,391
Ijarah Muntahia Bittamleek	**576,363**	**108,790**	**685,153**	457,821	51,116	508,937
Other assets	**219,459**	**43,651**	**263,110**	215,968	(7,491)	208,477
	13,253,543	**886,249**	**14,139,792**	11,567,873	831,571	12,399,444

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

4 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES (continued)

Table – 27. Treatment of Assets financed by Equity of IAH (PD-1.3.33 (v))

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of:

	31 December 2014			31 December 2013		
Type of Claims	**RWA US$ '000**	**RWA for Capital adequacy purposes US$ '000**	**Capital Charges US$ '000**	RWA US$ '000	RWA for Capital adequacy purposes US$ '000	Capital Charges US$ '000
Claims on Sovereign	**1,439,036**	**431,711**	**51,805**	846,446	253,934	30,472
Claims on PSEs	**11,266**	**3,380**	**406**	1,845	554	66
Claims on MDBs	**-**	**-**	**-**	10,075	3,023	363
Claims on Banks	**308,160**	**92,448**	**11,094**	64,082	19,225	2,307
Claims on Corporates	**6,118,721**	**1,835,616**	**220,274**	5,139,529	1,541,859	185,023
Claims on Investment Firms	**760**	**228**	**27**	-	-	-
Regulatory Retail Portfolio	**843,874**	**253,162**	**30,379**	689,985	206,996	24,840
Mortgage	**857,823**	**257,347**	**30,882**	774,937	232,481	27,898
Past due facilities	**107,195**	**32,159**	**3,859**	158,001	47,400	5,688
Investment in securities	**334,446**	**100,334**	**12,040**	294,028	88,208	10,585
Holding of Real Estates	**254,820**	**76,446**	**9,174**	194,470	58,341	7,001
Other Assets	**341,660**	**102,498**	**12,300**	577,724	173,317	20,798
	10,617,761	**3,185,329**	**382,240**	8,751,122	2,625,338	315,041

5 OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

Off-balance sheet equity of investment accountholders funds are invested and managed in accordance with Shari'a requirements.

The Group as fund manager will manage and administer the investment account in a proper, diligent and efficient manner in accordance with applicable laws and local regulations.

The Group has appropriate procedures and controls in place commensurate to the size of its portfolio which includes:

a) Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk management systems and procedures and controls designed to mitigate and manage such risks;

b) Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and

c) Ensuring that the Group has the requisite level of knowledge and experience for the tasks that is undertaken and is competent for the work undertaken.

Table – 28. Off-balance sheet equity of IAH by Islamic Financing product type (PD-1.3.33 (h))

The following table summarises the percentage of financing for each type of Shari'a-compliant contract to total financing as of:

	31 December 2014 %	31 December 2013 %
Receivables	**38**	20
Mudaraba and Musharaka financing	**62**	80

ADDITIONAL PUBLIC DISCLOSURES

31 December 2014

5 OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

Table – 29. Off-balance sheet equity of IAH by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	31 December 2014 %	31 December 2013 %
Sovereign	**18**	2
Multinational Development Banks	**5**	6
Bank	**28**	39
Corporates	**19**	11
Retail	**30**	42

Off-Balance Sheet Equity of IAH Share of Profit (PD-1.3.33 (e) & (q))

The Group's share of profit as a Mudarib for managing IAH and off-balance sheet IAH's share of income is based on the terms and conditions of the related mudaraba agreements. These mudaraba agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on off-balance sheet equity of investment accountholders' returns are analysed at the local level.

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