alBaraka

ANNUAL REPORT 2015

Your Partner Bank

Contents

STAKEHOLDER, CUSTOMER AND COMMUNITY

OUR "PARTNERSHIP" PHILOSOPHY AIMS AT REWARDING EFFORTS AND CONTRIBUTING TO THE DEVELOPMENT OF SOCIETY, BUILDING STRONG RELATIONSHIPS WITH OUR CUSTOMERS AND REAFFIRMING TRUST WITH OUR STAKEHOLDERS.

Our Stakeholders

Our commitment to our stakeholders is foremost in our mission to achieve superior economic value for our stakeholders over time by making life better for our customers, our associates and our communities and creating shared value as we help them meet their financial goals and aspirations. We take a long-term view of how we create value, and we are committed to constructive and meaningful communication with our stakeholders.

OUR VISION

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

OUR MISSION

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.

YOUR PARTNER BANK

The Al Baraka brand is today at the forefront of Islamic banking and emphasizes the Group's commitment to becoming the natural global leader in Islamic banking. The brand is a strong symbol not only of the unison of all subsidiaries under a single banner, but it also 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 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 Customers

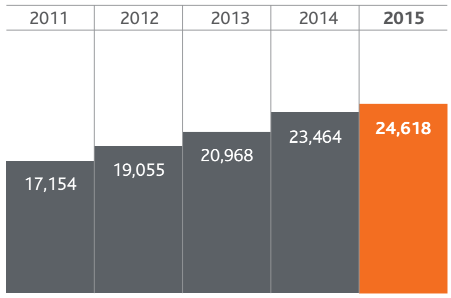
At Al Baraka, we believe that our values and ambitions go beyond mere attainment of corporate size or product range and delivery. Instead, we believe that as we build our customer relationship based on the spirit of true partnership, our growth will be both inevitable and natural. As Partners, we will take the time to get to know our customers, to understand their needs and find the right solution that suits them personally.

Financial Highlights

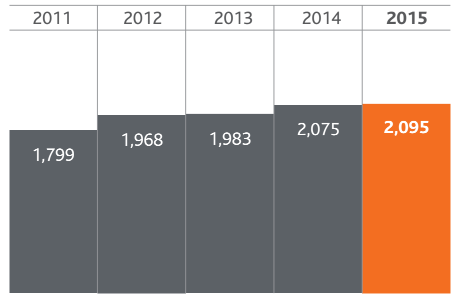
	2015	2014	2013	2012	2011
EARNINGS (US$ MILLIONS)					
Total Operating Income	**1,000**	918	909	880	730
Net Operating Income	**464**	396	420	422	344
Net Income	**286**	275	258	235	212
Net Income Attributable to Equity Holders of the Parent	**163**	152	145	133	118
Basic and Diluted Earnings per Share - US Cents*	**14.70**	13.70	13.05	12.02	10.70
FINANCIAL POSITION (US$ MILLIONS)					
Total Assets	**24,618**	23,464	20,968	19,055	17,154
Total Financing and Investments	**18,358**	17,624	15,355	14,319	11,818
Total Customer Accounts	**20,164**	19,861	17,744	16,398	14,680
Total Owners' Equity	**2,095**	2,075	1,983	1,968	1,799
Equity attributable to Parent's Shareholders	**1,356**	1,338	1,299	1,294	1,203
CAPITAL (US$ MILLIONS)					
Authorised	**1,500**	1,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	**1,115.7**	1,093.9	1,048.3	1,014.5	869.6
PROFITABILITY RATIOS					
Return on Average Owners' Equity	**14%**	14%	13%	13%	12%
Return on Average Parent's Shareholders' Equity	**12%**	12%	11%	11%	10%
Return on Average Assets	**1.2%**	1.2%	1.3%	1.3%	1.3%
Operating Expenses to Operating Income	**54%**	57%	54%	52%	53%
FINANCIAL POSITION RATIOS					
Owners' Equity to Total Assets	**9%**	9%	10%	10%	11%
Total Financing and Investments as a Multiple of Equity (times)	**8.8**	8.5	7.7	7.3	6.6
Liquid Assets to Total Assets	**24%**	25%	27%	25%	33%
Net Book Value per Share (US$)*	**1.22**	1.21	1.17	1.17	1.09
OTHER INFORMATION					
Total Number of Employees	**11,458**	10,853	9,891	9,398	9,021
Total Number of Branches	**587**	549	479	425	399

* Adjusted for treasury and bonus shares.

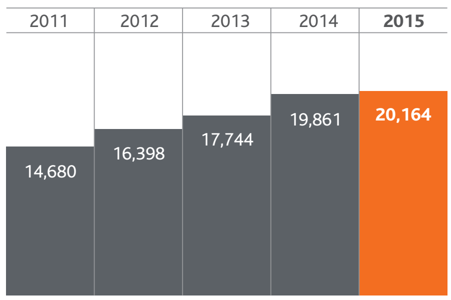
TOTAL ASSETS
US$ - MILLIONS



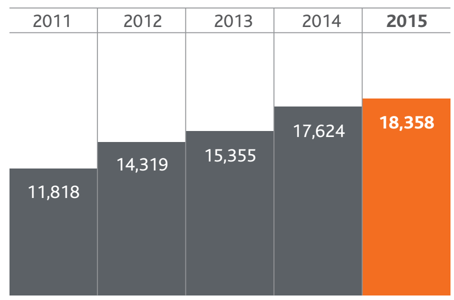
TOTAL OWNERS' EQUITY
US$ - MILLIONS



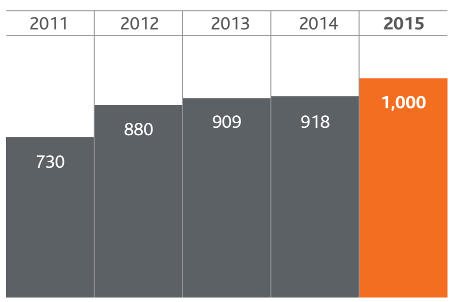
TOTAL CUSTOMER ACCOUNTS
US$ - MILLIONS



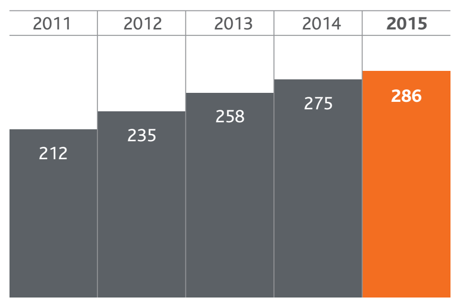
TOTAL FINANCING & INVESTMENTS
US$ - MILLIONS



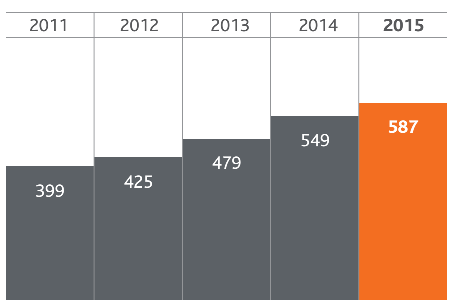
TOTAL OPERATING INCOME
US$ - MILLIONS



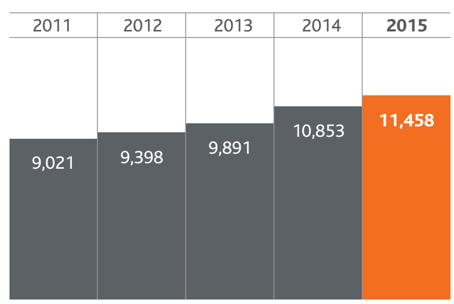
NET INCOME
US$ - MILLIONS



TOTAL NUMBER
OF BRANCHES



TOTAL NUMBER
OF EMPLOYEES



Our Community

We believe society needs a fair and equitable financial system: 'one which rewards effort and contributes to the development of the community.' Our approach is to serve society and engage in business in a socially responsible manner that serves the needs of the community at large while at the same time adhering to the ethical principles of the Shari'a. We believe that banking has, or ought to have, a crucial role to play in society, one in which as bankers we have a responsibility of stewardship for the resources placed in our hands.

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

COMMITTEE	CHAIRMAN
Board Executive Committee	
Board Audit and Governance Committee	
Board Social Responsibility Committee	
Board Affairs and Remuneration Committee	
Board Risk Committee	
Independent Directors	

Executive Management

Mr. Adnan Ahmed Yousif
President & Chief Executive

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

Mr. K. Krishnamoorthy
Executive Vice President - Head of Strategic Planning

Mr. Abdulrahman Shehab
Executive Vice President - Head of Operations & Administration

Mr. Hamad Abdulla Ali Eqab
Executive Vice President - Head of Finance

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

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

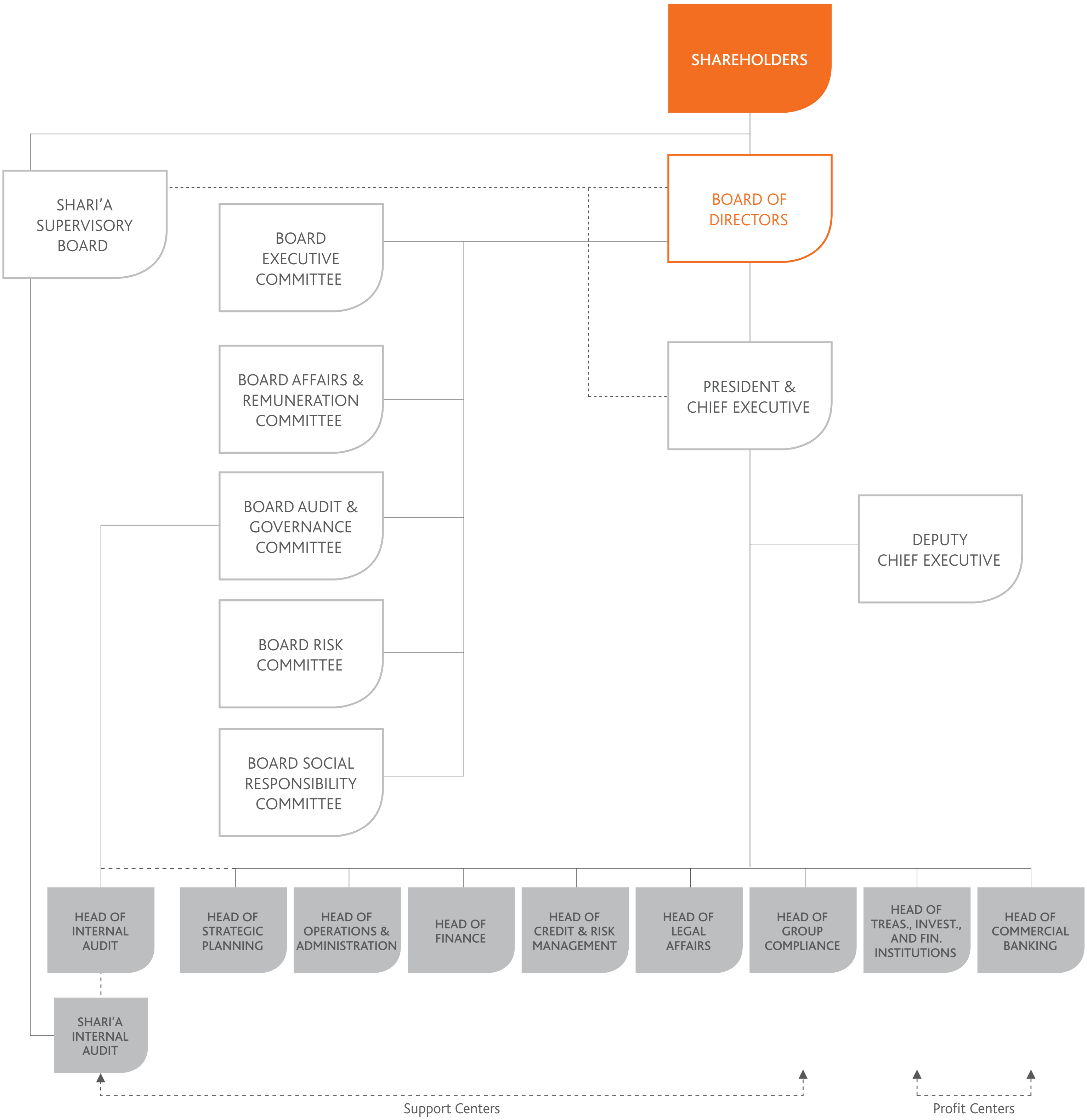
Mr. Mohammed A. El Qaq
Senior Vice President - Head of Commercial Banking

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

Mr. Qutub Yousafali
Head of Group Compliance


alBaraka

Head Office Organisation Chart



Saleh Abdullah Kamel
Chairman

After allocations for prudential provisions and taxation, both higher than applicable for 2014, the net income was $286 million, 4% above the result for 2014.

2015 REVIEW

In an environment of near-global economic slowdown, and depreciation on international markets of the currencies of account of many of our units, most Al Baraka Banking Group (ABG) subsidiaries did relatively well in 2015, with the majority reporting stable or increased performance.

The Group's share of total income from jointly financed contracts and investments, including its share as Mudarib, amounted to $542 million representing an increase of 14% or $65 million compared with 2014. Its income from self-financed contracts and investments also increased, by 15% to $273 million, as did its revenues from banking services, which grew by 7% to $201 million, more than offsetting reduced other operating income, which fell by 16% to $35 million and its Mudarib share from managing off-balance sheet equity of investment account holders which amounted to $6 million compared with $14 million in 2014. The Group's total operating income consequently rose by 9% to $1 billion and, as total operating expenses were only 3% higher at $536 million, the net operating income grew by

(All figures in US Dollars unless otherwise stated)

a creditable 17% to $464 million. After allocations for prudential provisions and taxation, both higher than applicable for 2014, the net income was $286 million, 4% above the result for 2014.

The Group's total assets, after consolidation and taking into account the depreciation of the units' local currencies against the US dollar, increased by 5% to $24.6 billion, as total financings and investments increased by 4% to $18.4 billion and Cash and balances with banks by 7% to $5.4 billion. The growth in the total financings and investments portfolios was mainly attributable to increased Ijarah Muntahia Bittamleek and Istisna'a balances and various investments, particularly non-trading investments, partly offset by slightly lower Murabaha sales receivables and Musharaka and Salam balances.

In light of the Group's performance in 2015, the Board of Directors has recommended a cash dividend distribution to the shareholders of 2.0% of the paid up capital, amounting to $22.31 million, after a transfer of $16.27 million to the legal reserve, with the remainder of the net income, amounting to $124.15 million, being allocated to retained earnings. The Board has also recommended a bonus dividend of 3 shares for every 100 shares held, to be allocated from retained earnings and amounting to $33.47 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 2015. Details of shares held by Directors and members of the Executive Management are provided in the Notes to the Consolidated Financial Statements.

2016 AND BEYOND

Despite the negative impact on local conditions of the relatively weak performance in most major economies, our units once again delivered growth and profitability and continued to provide ample vindication of our medium term strategy, aimed as always at generating steady growth and consistent profitability for our shareholders.

Our ongoing commitment to organic and geographical expansion within the framework of a sound risk management and governance culture continues to be rewarded through performance at every level. We are however mindful that our culture and ethos must be continually reinforced throughout the organisation so that the lessons of cautious and careful asset management, combined with planned and deliberate expansion strategies, are always in the forefront of our minds.

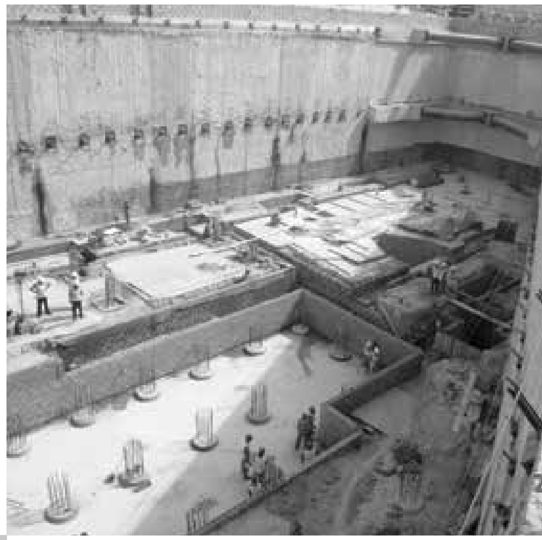
We congratulate our operating units for their commitment to these values and worthy performance in the face of many challenges. Congratulations are also due to our Executive Management Team, whose vigilance and hard work help so much to ensure the ongoing success of our strategic plan.

Finally, we extend our sincere thanks and appreciation to our Shari'a Supervisory Board, the Central Bank of Bahrain, the Ministry of Industry and Commerce of Bahrain, Bahrain Bourse, Nasdaq Dubai and all our subsidiaries' regulatory authorities, for their constant support and wise guidance over the past year.

For and on behalf of the Board of Directors

Saleh Abdullah Kamel
Chairman

Al Baraka Group Headquarters



A landmark in the heart of Manama

Situated in the heart of the Bahrain Bay development in Manama, Kingdom of Bahrain, the Al Baraka Banking Group Headquarters has emerged as a landmark architectural structure befitting the Group's leadership in the Islamic banking and financial services industry, not only in the region, but also internationally.

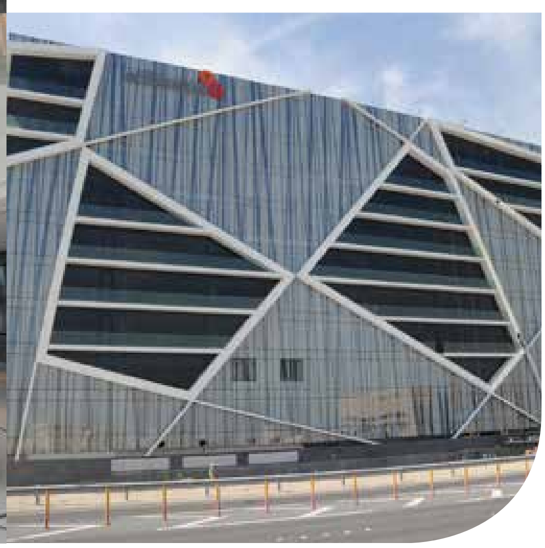
The Art of Islamic Banking and Finance

The Architectural design draws its inspiration from the fine Islamic pedigree of the Group. Nestled in 38,540 square meters of prime waterfront real estate, the construction comprises two state of the art towers that offer breathtaking views of Manama city and the turquoise waters of the Arabian Gulf. Inspired by the elegant geometrical lines of ancient Islamic art, the dramatic diagonals and horizontals not only provide a strong visual offering, but also promote structural integrity.

The intelligent design of the towers offers those working within it spacious, light filled areas, and a wonderful sense of freedom that will also charm and captivate visitors, customers and clients alike.

Maintaining the integrity of the development in order to offer synergies in design, the two towers are linked at the top 5 floors with 6-metre wide bridges that also provide usable office space linking both towers for future expansion of the Group, if required.

With its picturesque view of the waters, one could say that the Al Baraka Headquarters almost literally 'floats' in the turquoise waters of the Gulf, thus giving it an ethereal quality – a credit to the organization as well as the grand vision that Bahrain has for its future.



President & Chief Executive's Report

Adnan Ahmed Yousif
President & Chief Executive

Al Baraka Banking Group is one of the first Islamic institutions in Bahrain to be rated by IIRA and Dagong. Additionally, the Group continues to be rated BB+ (long term) / B (short term) by Standard & Poor's, with a stable outlook.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the weak economic growth experienced in the majority of OECD countries was by and large replicated in the countries in which Al Baraka Banking Group (ABG) operates. In the challenging conditions prevailing, not least of which was the depreciation of the domestic currencies of several of 's subsidiaries respective to the US dollar - the Group's currency of report - did well to maintain its record of growth and steadily increasing profitability.

ABG's consolidated total assets grew by 5% in 2015 to $24.62 billion, of which the main contributors were its total financings and investments, which expanded by 4% to $18.36 billion, along with its cash and balances with central and other banks, which saw a 7% increase to $5.37 billion. Most of the growth in the financings and investments portfolios was shared between the Group's non-trading investments, which rose by $504 million or 21%, and the Ijara Muntahia Bittamleek portfolio, which grew by $240 million or 16%.

(All figures in US Dollars unless otherwise stated)

Total financings and investments continued to constitute the greatest part of total assets, although with the actual proportion falling slightly to 75%. Murabaha receivables equalled 64% of financings and investments, followed by non-trading investments which constituted 16% and Ijarah Muntahia Bittamleek 9%. Mudaraba, Musharaka, investments in properties, Salam, investments in associates and Istisna'a comprised the majority of the remainder.

Customer accounts, including Equity of Investment Account Holders (EIAH), grew by 2%, with the growth being spread between a 3% increase in EIAH, the largest component, and a 7% increase in customers' current and other accounts, while interbank deposits fell by 33%. Aggregate off-balance sheet EIAH fell by 8% to $778 million and contingents and commitments decreased by 11% to $4.62 billion.

The Group's total operating income increased by 9% to $1.00 billion. A 14% rise in the Group's share of income from joint financings and investments, to $542 million, a 15% increase in its income from its own self-funded financings and investments, to $273 million, and a 7% rise in its revenue from banking services amounting to $201 million, were more than sufficient to compensate for a 60% fall in its Mudarib share of off-balance sheet EIAH to $6 million and a 16% decrease in other operating income to $35 million. After operating expenses, which were only 3% higher at $536 million, the net operating income was 17% higher at $464 million. Allocations for higher provisions and taxation than in 2014 resulted in a net income of $286 million, 4% above the net income earned in 2014.

ABG was pleased to receive reaffirmation from the Islamic International Rating Agency (IIRA) and Dagong Global Credit Rating Company Limited of their jointly assigned BBB+ (long term)/A3 (short term) investment grade rating for ABG. In addition IIRA reaffirmed ABG's national scale rating at A+/A2. IIRA has also reassessed the Group's overall fiduciary score, in the range 76-80, which indicates strong fiduciary standards and a well developed governance structure wherein the rights of various stakeholders are well defined and protected. ABG is one of the first Islamic institutions in Bahrain to be rated by IIRA and Dagong. Additionally, ABG continues to be rated BB+(long term) /B(short term) by Standard & Poor's, with a stable outlook.

Islamic conferences sponsored by ABG in collaboration with a number of international institutions during the year included the World Islamic Banking Conference in Bahrain and the Annual Arab Banking Conference in Lebanon.

The Group's geographical expansion continued apace with the addition of 38 new branches spread across its various operating units: its network now comprises 587 branches and representative offices. in 15 countries. During the year ABG also concluded the legal requirements in regard to its application to establish a banking unit in Morocco which will, once established, meet its ambition to be represented in all Magreb countries.

REVIEW OF UNITS

The following is a brief review of each of our subsidiaries, their activities and performance over the past year. Except where local currency sums are explicitly mentioned, 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.

AL BARAKA GLOBAL NETWORK

11,458
Committed employees

587
Branches

15
Countries

THE GLOBAL VISION OF LOCAL PARTNERSHIP

Country	Branches	Established In
01. Jordan	92	1978
02. Egypt	29	1980
03. Tunisia	22	1983
04. Bahrain	6	1984
05. Sudan	27	1984
06. Turkey	213	1985
07. South Africa	12	1989
08. Algeria	30	1991
09. Lebanon	7	1991
10. Indonesia*	1	2008
11. Syria	12	2009
12. Pakistan	135	2010
13. Libya*	1	2011
14. Iraq**	1	2011
15. Saudi Arabia	1	2007

* Representive Office
**Branch of Al Baraka Turk Participation Bank

AL BARAKA TÜRK PARTICIPATION BANK

The Turkish economy maintained its sluggish growth pattern in 2015, closing the year 3.3% higher, only a little above the 2.9% growth rate experienced in 2014. Interest rates rose only moderately, with the 3-month rate closing at 12.0% compared with 10.3% at the end of 2014. The current account deficit declined somewhat over the year from -5.8% to -4.9% of GDP while the budget deficit rose a little to -1.6% of GDP. Consumer inflation was down to 7.6% from 8.2% the previous year. In light of this moderate performance coupled with the fall in global demand and particularly in Turkey's case the slowdown of the Chinese and European economies, the rate of depreciation of the Turkish Lira slowed in the case of the dollar whilst continuing apace in that of the euro, with the exchange rate at the end of the year standing at TRY2.92/US$ and TRY3.17/€ respectively, compared with TRY2.33/$ and TRY2.82/€ respectively the year before.

For Al Baraka Turkey, the momentum established through its medium term expansionary strategy continued to pay dividends. Its total assets grew by 30% over the year to reach TRY29.56 billion, the result of a 24% expansion in its total financings and investments and a 55% increase in cash and bank balances. However, despite the relative slowdown in Turkish Lira depreciation in 2015, translating this excellent growth into US dollar terms resulted in a smaller but not unimportant 4% increase in total assets, to $10.13 billion, mainly on account of the increased balances with the Central Bank and other banks offsetting a small contraction of the financings and investments portfolios, which totalled $7.31 billion. In these terms, healthy increases in Ijara Muntahia Bittamleek and non-trading investments were partly offset by lower Musharaka balances and a slightly reduced Mudaraba sales receivable total. Similarly, although total liabilities rose in Turkish Lira terms by 43%, in dollar terms they increased by only 14% to $3.47 billion. The increase primarily reflected an expansion in long term borrowings, as the proceeds of the bank's 2014 and 2015 successful Sukuk issues and its medium-term syndicated loan were offset by reduced interbank funding, while total customer accounts including EIAH, although growing by 19% in local currency, fell back by 5% in dollar terms to $7.54 billion.

Again in terms of the Turkish Lira, the bank's total operating income rose by 25% to TRY1.08 billion, whilst total operating expenses also grew by 30% to TRY0.61 billion, producing a net operating income of TRY0.47 billion, up 19% from 2014. After translation into US dollars, though, total operating income expanded by 1% to $398 million, comprising a 5% lower income from jointly financed accounts and investments including its share as Mudarib, an 11% higher income from its own sales and investments at $179 million and a somewhat reduced total of income from banking services and other operating income. Total operating expenses also rose, by 5% to $226 million, producing a net operating income of $171 million, 4% below the previous year's result.

Following allocation of lower provisions and lower taxation charge, the net income recorded however was $112 million, a marginal 1% below that for 2014.

Maintaining its expansionary strategy, Al Baraka Turkey opened 11 new branches in 2015, bringing its total network to 213, with a commensurate expansion of its ATM network from 217 to 337. The bank also introduced a number of new products aimed at its commercial clients, including a supplier payment system and a suite of products geared to the food industry, once again expanding its already extensive product range, which includes a wide variety of consumer financing options, commodity and precious metal trading and savings and merchant financing supportive schemes. For the future, it will continue to grow its network of outlets and product innovations.

Meanwhile, the bank successfully concluded a syndicated Shari'a compliant Murabaha financing on the international market, which raised $278 million and €154.5 million. Participation was spread across 17 banks from 11 countries in what was considered a ringing endorsement of the bank and its distinguished position in the Turkish market and, of course, the Al Baraka global brand.

Al Baraka Turkey was also honoured to win the highly prestigious 'Infrastructure Transformation Project of the Year' award at the HP Enterprise Discover 2015 ceremony in London, in respect of its Albatros Project which is transforming its information infrastructure under its long-term vision of becoming the best participation bank in the world.

Al Baraka Türk Participation Bank

Established	Branches
1985	213

Unit Head:	**Dr. Fahrettin Yahsi**
Title:	**General Manager & Board Member**
Address:	**Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi, No. 6 34768 Ümraniye Istanbul, Turkey**
Tel:	**+90 216 666 01 01**
Fax:	**+90 216 666 16 00**
	albaraka.com.tr

(All figures in US Dollars unless otherwise stated)

JORDAN ISLAMIC BANK

Although Jordan's economy enjoyed moderate improvement in the first half of the year, activity slowed substantially in the latter half, producing an annual rate of growth of just 2.1%, down from 2014's 3.1%, as the government strove to balance the need to allocate sufficient resources to incentivise investment and reduce unemployment whilst maintaining its efforts to manage its high fiscal deficit and public debt. Its budget deficit improved a little to -6.3% of GDP compared with -7.2% in 2014 while its current account deficit was significantly reduced to -1.2% of GDP from -6.8%. The rate of inflation, which was 2.7% in 2014, fell to a remarkable -0.9% (i.e. deflationary) in 2015.

In this sombre environment Jordan Islamic Bank (Al Baraka Jordan) did well to expand its operations. Its total assets grew by 7% to $5.36 billion, reflecting mainly a 17% increase in its total financings and investments to $3.94 billion. Although almost all areas of financings and investments saw increases, the main contributors to the overall growth were its Murabaha business, as sales receivable grew by 17%, and its Ijarah Muntahia Bittamleek balances which were 16% up on the year. Growth of 6% in its total customer accounts including the EIAH provided the funding for the asset growth.

Al Baraka Jordan's total income from jointly financed contracts and investments, at $250 million, was 7% higher in 2015, reflecting the increased turnover in Murabaha and Ijara Muntahia Bittamleek. After accounting to the investment account holders for their share, the bank's share including its share as Mudarib was 19% higher at $157 million. With no remarkable change in its other income sources, the bank's total operating income for the year, at $190 million, was 16% up on 2014. Total operating expenses amounted to $84 million, a 15% increase on the previous year, producing a net operating income of $106 million or 18% above that of 2014. After provisions and taxation Al Baraka Jordan closed the year with a net income of $69 million, 8% above 2014's result.

Al Baraka Jordan again expanded its network in 2015, adding 7 branches and cash offices to make a total of 92 spread across the country, well on the way to its long term objective of 117 in the next five years. Its ATM network also grew with an additional 23 machines, making a total of 167 machines in all. New products recently introduced include a Virtual Card – a prepaid Visa or MasterCard account delivered electronically without a physical credit card - for use only for online or telephone transactions, an Istisna'a sale product, new capabilities to enable payment of utility bills through e-channels and, under its new green initiative, a Murabaha facility to finance the purchase of hybrid cars at special competitive rates together with facilities for solar power generation systems.

The bank was once more the honoured recipient of several awards received during the year: 'Best Islamic Bank in Jordan 2015' by The Banker magazine; 'Best Islamic Financial Institution in Jordan' for the 7th year by Global Finance magazine; 'Best Islamic Bank in Jordan' for the 5th year by World Finance magazine (to which was added a prize to the CEO/GM of the organisation for business leadership and outstanding contribution to Islamic finance); 'Best Islamic Bank in Jordan 2014' and 'Corporate Social Responsibility/Pan-Middle East Award 2014' by EMEA London; and 'Golden Shield' for excellence in the field of social responsibility from the Arab Organization for Social Responsibility.

Jordan Islamic Bank

Established
1978

Branches
92

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President & Chief Executive's Report
(Continued)

AL BARAKA BANK EGYPT

Egypt's economy grew by 4.2% in 2015, slightly above the 4.0% growth seen in 2014. The current account deficit was reduced slightly to -1.4% of GDP from -1.7% the previous year. The budget deficit was similarly somewhat reduced to -11.0% of GDP from -11.4% while consumer price inflation was broadly unchanged at 10.0%. The government is continuing with its programme of reforms, targeting subsidies and public sector salaries. It is hoped that tourism revenues will recover from the negative impact of recent events and that this, together with the additional revenues predicted following the opening of the second channel of the Suez Canal, should help to offset declining inward investment and home remittances from expatriate Egyptian workers, thus reinforcing the Central Bank's cash reserves which have fallen to less than 3 months' imports cover.

Al Baraka Egypt's total assets grew over the year by 30% to EGP 28.90 billion, with the increase well spread over most assets, particularly non-trading investments which grew by 39%, Mudaraba financing with 51% growth and Murabaha sales receivables which rose by 11% and other assets 46%. This growth was in turn funded by the total customer accounts including EIAH which rose by 32% to EGP 26.33 billion. However, given the fall in the value of the Egyptian Pound against international currencies, in terms of the US dollar the asset growth was not as great, recording a 19% rise to $3.69 billion, the main contributors remaining broadly the same, with total financings and investments growth of 18% to $3.19 billion.

The bank's total income from joint financings and investments grew by 30% in Egyptian Pound terms, to EGP 2.33 billion. In dollar terms this equated to $303 million, a rise of 20% over the previous year. After distribution to the EIAH investors of their share, the bank's share including its share as Mudarib amounted to $124 million, 22% above 2014's result. Its income from banking services was 9% higher at $18 million, contributing to a total operating income of $147 million, an increase of 21%. Total operating expenses however rose by only 3%, leading to a net operating income of $94 million, 35% above the previous year which, after accounting for provisions and taxation, produced a net income for the year of $34 million, 8% above 2014's result.

The bank opened one new branch during the year, expanding its network to 29 branches and 3 foreign exchange offices. In 2016 it plans to open 2 mini-branches, aimed specifically at the retail and SME sectors, in addition to fully refurbishing several old branches and foreign exchange offices and preparing to move its important Alexandria branch to new premises. It is meanwhile on track to complete its new headquarters building in the New Cairo area. Its plans for the future include establishing 11 new full branches over the next two years, to reach 40 branches in all, plus the foreign exchange offices, by early 2017, its rolling expansion programme envisaging a network of 46 by 2020.

New products introduced recently include new savings certificates, a 5-Year Baraka Dollar Sukuk with quarterly accumulative yield, and the launch of electronic payment services enabling direct payment by clients of government customs fees and taxes through the bank's branches. Its successful issue of the Al Baraka Bronze Card will be followed by Silver and Gold Cards. Following the completion of the second phase of implementation of its new banking system, it will be launching new technological services, including telephone and Internet banking. Meanwhile the capacity of its Call Centre has been expanded so that it now provides round the clock service, all year round.

Al Baraka Egypt was recently granted a credit rating by Islamic International Rating Agency with a national scale rating of A-/A2 and international scale rating of B-/B, with stable outlook, recognition of its inherent strength. It was also pleased to receive the 'Best Islamic Bank 2015' Award from Global Finance magazine; 'Best Commercial Name' and 'Excellent Performance' Awards from European Foundation Other Ways Management Association Club based in France; and two 'Quality Achievement' Awards from the European Society for Quality Research (ESQR) and the European Business Association.

Al Baraka Bank Egypt

Established
1980

Branches
29

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(All figures in US Dollars unless otherwise stated)

BANQUE AL BARAKA D'ALGERIE S.P.A

Algerian economic growth declined in 2015, to 3.1% compared with 4.1% GDP growth in 2014, as lower hydrocarbon prices on the international markets took their toll. Driven by an increasing trade deficit, the current account deficit is estimated to have increased to -13.9% of GDP from -4.4% the previous year, while the budget deficit rose from -7.3% to -13.1% of GDP as the government retained the historical but expensive subsidies for the general populace, although it was more successful in cutting these for large consumers. The country's foreign exchange reserves remain high at $159 billion at the end of the third quarter, enough to cover 36 months' imports. Consumer price inflation meanwhile rose to 5.0% from 2014's more normal 2.9%. The Algerian Dinar fell steadily to reach DZD103/$ at the end of the year.

The policy of encouraging industrial diversification away from the hydrocarbon sector remains in place, with major investment projects agreed with multinational companies in the area of steel and iron, construction materials, pharmaceuticals, car manufacturing and foodstuff processing, but all this will take years to impact significantly on national production and accounts.

At Al Baraka Algeria, total assets grew by 19% to DZD192.35 billion, mostly attributable to a 41% rise in the Ijara Muntahia Bittamleek portfolio together with a 7% rise in Murabaha sales receivable and a 21% increase in cash and bank balances, partially offset by a 12% drop in the Salam outstandings and a 29% fall in the other assets categories. In terms of the US dollar however, the drop in the value of the Algerian Dinar over the past year resulted in only a 1% increase in total assets, which ended the year at $1.87 billion. On the liabilities side, total customer accounts including EIAH rose by 23% to DZD 155.44 billion but this expansion was translated into only a 5% increase in dollar terms to $1.51 billion.

The depreciation of the local currency against the dollar had a similar impact on revenues and expenses. Whereas the bank's total income from joint financings and investments rose by 20% to DZD 6.78 billion, leading to a 27% increase in the bank's share including Mudarib fee, amounting to DZD 4.70 billion, in dollar terms the total joint financings and investments earnings at $68 million were 3% less, of which the bank's share was $47 million, only 3% higher than that for 2014. Including revenues from banking services, the total operating income was $83 million, 11% below 2014's result when translated into dollars, while the total operating expenses were by the same token unchanged at $34 million so that the net operating income, which in Algerian Dinars was 2% higher than in 2014 at DZD 4.83 billion, equated to $48 million, 18% less than that of the previous year. After accounting for provisions write back and a higher taxation charge, the result was a net income of $41 million, 24% below that of 2014.

Al Baraka Algeria has for some time been active in diversifying its activities into other finance-related avenues, under the umbrella of the Al Baraka Algeria Group. In this regard in 2015 it established the Al Khobrat Real Estate Company and opened the Islamic Banking Training Institute. Meanwhile it opened 2 new branches and completed the major works related to its new Main Office Building, which will be formally opened in 2016. It intends to inaugurate a further 2 branches in 2016, bringing its network to 32 branches, and to install ATM machines in all branches in addition to selected airports, railway stations, seaports and bus stations. Under its rolling 5-year strategy it plans a total branch network of 38 by 2020.

The bank intends to create Ijara and Takaful insurance subsidiaries under its Group umbrella, as specialist units for these products, in addition to an investment fund management company for financing SME business, a services company for management of micro finance products in partnership with the Ministry of Religious Affairs and Endowments, and an IT services company, as well as to participate in the establishment of a major new hospital in Algiers. Its plans also include the launch of Internet banking for its corporate and retail customers, e-payment facilities and a new Shari'a compliant MasterCard. It is also seeking to commence mobile banking and to relaunch its car finance facilities, subject to Central Bank approval.

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

Established
1991

Branches
30

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President & Chief Executive’s Report
(Continued)

AL BARAKA ISLAMIC BANK B.S.C. (C) - BAHRAIN

Reflecting the fall in international oil and gas prices, the Bahrain economy’s growth rate declined to 2.6% in 2015 from 4.5% the year before. The current account slid into deficit, at -3.0% of GDP, from a surplus of 7.8% of GDP in 2014, while the budget deficit soared to -13.9% of GDP from -3.6%. The government recently announced a 30% cut in government spending in an effort to reduce the budget deficit, together with reductions in the traditional fuel subsidies which had been in place for several decades. The rate of inflation meanwhile declined to 2.2% from an already moderate 2.7%.

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 among the largest Islamic retail banking institutions in Pakistan.

In Bahrain, as the bank continued to expand its customer base its total assets grew by 14% to $1.10 billion, mainly on account of an 18% growth in total financings and investments which reached $0.98 billion. The main contributors to this expansion were the Mudaraba portfolio, which grew by 61%, and the Ijarah Muntahia Bittamleek portfolio and non-trading investments, which each grew by over 20%. The growth was funded by a 15% increase in customer accounts including EIAH, which aggregated $0.89 billion at year-end.

This increase in business turnover resulted in a 14% rise in the total income from joint financings and investments, amounting to $26 million. After accounting to the investment account holders’ investors for their share, the bank’s share including its share as Mudarib was 28% up on the previous year at $11 million. Its income from its own financings and investments moreover grew strongly by 27% to $9 million, contributing to a creditable total operating income of $27 million, 28% above that earned in the previous year. A 12% increase in total operating expenses, to $24 million, left a net operating income of $3 million compared with a small operating loss in 2014 which, after a small allocation for prudential provisions, resulted in a net income of $3 million, comparing well with 2014’s breakeven position.

At the end of 2014 Al Baraka Bahrain entered into a collaboration agreement with Tamkeen Bahrain, creating a new programme for SME financing and enabling it to boost that portfolio significantly, while its participation in government-sponsored social housing schemes has resulted in strong growth in its retail portfolio. Its ‘Al Barakat’ (investment account with prizes) initiative, also launched in late 2014, continued to draw substantial interest, such that 10,000 new accounts were opened in the first nine months of the year. Its ‘Wakala’ financing and borrowing accounts, children’s education Bancassurance product, along with its Takaful Bancassurance range, meanwhile continue to attract new customers.

Looking to 2016 and beyond, Al Baraka Bahrain plans to launch a new credit card, a personal financing facility and a wealth management product. The bank plans to open three branches in 2016. Its 5-year rolling programme anticipates a network of 15 branches by 2020.

Al Baraka Islamic Bank B.S.C. (c)
Bahrain

Established
1984

Branches
6

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(All figures in US Dollars unless otherwise stated)

AL BARAKA BANK (PAKISTAN) LIMITED

Pakistan's GDP grew in 2015 by 5.7%, a little higher rate than in 2014, notwithstanding the energy shortages and instability problems which continue to beset the country. The current account deficit improved significantly to -0.7% of GDP compared with -2.6% of GDP in 2014, with the trade deficit ending the year at an estimated $22.1 billion, similar to the year before. Inflation fell to 4.3% from 5.8%, mainly on account of reduced oil and commodity import prices. The State Bank of Pakistan maintained its benevolent monetary policy, reducing the discount rate in steps to 6.36% by the end of the year. In an attempt to address the persistent power shortages, the government introduced new policies offering incentives to encourage the establishment of alternative sources of energy production. The Stock Market meanwhile continued its rise which began in July 2014 with the index climbing by over 6.0% in that time.

Despite a moderate economic environment and an expansionary strategy, Al Baraka Pakistan's growth faltered in 2015 due to CAR constraints. Total assets fell by 12% to $823 million as total financings and investments fell back by 16% to $634 million, reflecting reduced balances in Murabaha sales receivables, the Mudaraba portfolio and non-trading investments which were only partly compensated by increases in the Musharaka and Istisna'a portfolios.

The bank's total income from joint financings and investments fell by 5% to $53 million. However, after accounting to the EIAH investors for their share, the bank's income from this source, including its Mudarib fee, surged by 43% to $16 million. This was however somewhat offset by a 27% fall in its income from its self-funded financings and investments to $8 million. After including revenues from banking services, its total operating income was $30 million, an increase of 6% over 2014; however a 9% increased operating expenses total of $27 million left the net operating income 10% lower than in 2014 at $3 million. After accounting for a write back of provisions but an increased taxation charge, the bank recorded a net income of $3 million compared with $2 million in 2014.

During 2015 Al Baraka Pakistan maintained the momentum of its geographical expansion, opening 5 branches to bring the total network up to 135 branches spread across 82 cities. At the same time it added to its ATM network by installing 18 new machines, thus expanding that network to 95. It will continue to open new branches at a similar rate annually, under its 5-year strategic plan aimed at reaching 255 branches by 2020.

The bank's wide product range currently includes home and auto finance, Running Musharaka, agri-financing facilities and various types of youth and senior citizen related accounts, to which was added in 2014 a Debit Card, Banca Takaful (insurance) – which has proved particularly popular over the last year - and SMS banking, mobile banking, cash management and home remittance services. The latter two services have got off to a good start as they appeal greatly to their target markets of citizens working abroad and the domestic corporate sector. For 2016, it is poised to launch an Internet service that has been under development for the past two years, in addition to a new deposit product for individuals who currently have no bank account, and a Treasury money market product. It was pleased to have won 2 mandates as lead arranger for syndicated financings in the oil & gas and hospitality industries, continuing the success of recent years in this area.

Al Baraka Bank (Pakistan) Limited

Established
2010

Branches
135

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President & Chief Executive's Report
(Continued)

AL BARAKA BANK TUNISIA

The rate of growth of the Tunisian economy fell to an estimated 0.8% from 2.7% in 2014. The budget deficit rose but was contained within moderate levels, at -5.4% of GDP (2014: -4.5%); however the current account deficit rose to -9.6% of GDP from -9.1% the year before. The rate of inflation was relatively stable at 4.9%, despite the continuing fall in the value of the Tunisian Dinar against the dollar (and to a lesser extent against the euro). The Central Bank provided liquidity to the banking sector and reduced interest rates in an effort to stimulate investment. The tourism and export industries continued to struggle in light of recent events coupled with eurozone economic slowdown.

The fall in the value of the Tunisian Dinar against the dollar over the year, as with several other units of the Group, impacted negatively on both the balance sheet and income statement of Al Baraka Tunisia. In local currency terms the bank's total assets increased by 8% to TND1.30 billion as its total financings and investments grew by 5% to TND1.17 billion – mostly on account of growth in its Mudaraba portfolio and in the Murabaha sales receivables and to a lesser extent in the Ijarah Muntahia Bittamleek portfolio and in its non-trading investments. However, in dollar terms this was translated into a 1% reduction in the total assets to $639 million and a 4% decline in its total financings and investments to $577 million. The components of the financings and investments were affected similarly. Healthy growth of 9% in the total customer accounts including the EIAH likewise when expressed in dollars was translated into a total $477 million, representing only slight overall movement over the year.

Likewise for the income statement, the total income from jointly financed accounts and investments remained effectively unchanged at TND39 million, resulting in the bank's share including its Mudarib fee being 2% lower, at TND26 million; the equivalent when expressed in dollars was a 13% reduction in the total joint income and a 15% fall in the bank's share, at $13 million. After including revenues from self-financed business activities, Mudarib share on off-balance sheet EIAH and banking services, together with other operating income, and accounting for operating expenses, the net operating income was 21% lower in local currency terms and 32% lower in dollar terms. A small net provision write back and slightly lower taxation charge resulted in a 5% lower net income of TND9 million but a 17% lower result of $5 million when expressed in dollar terms.

Moving swiftly to capitalise on its new status as a resident local bank, following its recent conversion from an offshore bank, Al Baraka Tunisia opened 9 branches and 3 cash offices, installing a similar number of ATM machines, during 2015. This brought its total network at the end of the year to 22 branches and 4 cash offices, together with 23 ATMs. It also opened a new Business Centre focused on SMEs and larger corporate customers, contributing to developing new business leading to a healthy financings and investments portfolio. It plans to open a further 8 new branches in 2016 as part of its aim to expand by 8 new branches each year, to bring the network up to 62 branches, 10 cash offices and 64 ATMs by 2020.

Building on its existing product lines it has entered into a partnership with a major Takaful company to market Takaful insurance products through all its units, a business which will be further developed in 2016. This and other products in course of development will add to its range of financing and deposit products which now include motor vehicles, home improvement and household goods financings, with house purchase, Umra and Hajj savings schemes as part of its range of liabilities products.

Al Baraka Bank Tunisia

Established
1983

Branches
22

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(All figures in US Dollars unless otherwise stated)

The prevailing security conditions in Syria have resulted in the economy now having fallen to a base level of GDP such that performance statistics have become relatively meaningless. Inflation has reached unprecedented heights, exceeding 75%, reflecting the shortages of all commodities and basic essentials, not to mention the human resources necessary to increase production levels, despite unemployment levels trebling since the start of the crisis. Official foreign currency reserves are much reduced, affecting the country's ability to secure its basic needs. As a consequence the value of the Syrian Pound has continued to fall, reaching SYP336/$ at the end of the year compared with SYP 200/$ at the end of 2014.

The continuing decline in the Syrian Pound means that for an accurate picture of the performance of Al Baraka Syria it is necessary to view it primarily in terms of the local currency, although for consolidation purposes one must also look to the equivalent in US dollars. The bank has continued to focus on Treasury operations and fee-earning services in light of the difficulties in identifying good quality local financing opportunities.

Al Baraka Syria's total assets grew by 85% to SYP 164.47 billion as its total financings and investments increased by 88% to SYP 93.91 billion and its balances with the Central Bank and other banks increased by 87% to SYP 67.79 billion. Most of the increase in the financings and investments portfolios was seen in the Murabaha sales receivables, which soared by 269% to SYP 19.12 billion, but Mudaraba financings, which rose by 65%, also contributed while non-trading investments grew by 70% to SYP 1.68 billion. In dollar terms, however, total assets grew by only 9% to $489 million, while the total financings and investments rose by 11% to $279 million. On the liabilities side the total customer accounts including EIAH grew by 5% to $306 million.

Total income from jointly financed accounts and investments grew by 207% in local currency and 53% in dollar terms. After accounting to the EIAH investors for their share, the bank's share including its Mudarib fee was nearly $4 million, almost four times the figure for 2014. Including its income from self-financings and investments, banking services and others, the total operating income came to SYP 10.52 billion in local currency terms, representing an increase of 149%, or $31 million in dollar terms, an increase of 24%. Net operating income was $26 million (SYP 8.80 billion) which, after allocations for provisions and taxation charge, produced a net income for the year of SYP 7.40 billion or $22 million, 45% higher than the year before.

Despite the difficult operating environment, Al Baraka Syria was able to open 2 new branches in 2015, including one office in Tartous on the Mediterranean coast, expanding its total branch network to 12. A new branch in Damascus is planned for 2016 and, should circumstances allow, it intends to expand its network by 2 branches a year to reach 20 by 2020. Existing services offered to its customers include Internet and SMS banking, money transfer via mobile phone, monthly income deposits and youth accounts. It plans to launch a new account targeted at the medical sector in 2016. The bank was pleased to receive the 'Best Islamic Bank in Syria' Award from Global Finance magazine in 2015.

Al Baraka Bank Syria S.A.

Established
2009

Branches
12

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President & Chief Executive's Report
(Continued)

AL BARAKA BANK LIMITED - SOUTH AFRICA

South African economic growth was a weak 1.4% in 2015, little changed from 2014. The budget deficit similarly remained at -3.8% of GDP, although the current account deficit fell in relation to GDP, to -4.1% from -5.4%, on the back of a reduced trade deficit. The rate of inflation also moderated, declining to 4.7% from 2014's 6.1%. The Rand continued to decline against international currencies, however, in the case of the dollar reaching ZAR15.52/$ by the end of the year, down from ZAR11.55/$ the year before.

Al Baraka South Africa's moderate growth pattern continued in 2015. Total assets rose by 5% in Rand terms to ZAR5.06 billion, mostly represented by increased financings and investments where the total also grew by 5% to ZAR4.49 billion, the 12% increase in Musharaka being partly offset by a 4% decrease in Murabaha sales receivables. In terms of the US dollar, total assets declined by 22% to $325 million and financings and investments, also by 22%, to $289 million. Total customer accounts including EIAH rose by 5% in Rand terms but fell, again by 22%, in dollar terms.

Despite the reduced financings and investments balances, total income from joint financings and investments grew by 17% in local currency terms although it fell by 1% in dollar terms. After accounting to the EIAH investors for their share, the bank earned ZAR198 million from this source, 22% more than in 2014. Nevertheless, in dollar terms this income was only 3% higher at $15 million. Including revenues from other sources, the total operating income was 21% up in Rand terms but only 3% higher in dollars, at $19 million. Net operating income was 40% higher in Rand but only 18% higher in dollars, at over $6 million. After allocations for provisions and taxation charge, the net income increased by 39% to reach ZAR55 million, or $4 million in dollars, 18% above the previous year's result.

The bank opened a new foreign exchange branch in Rosebank, Johannesburg, bringing its total network to 12 branches, also expanding its ATM network with its first non-branch sited machine, at the airport in Durban. Following the success of its Shari'a compliant foreign exchange contract, introduced in December 2014, client-based foreign exchange trading turnover has expanded and the bank is currently developing a foreign exchange app for mobile phones to further assist customers in their international payments. It 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. It plans to introduce Takaful (insurance), an Islamic Credit Card and Money Remittance facilities in due course.

Al Baraka Bank Limited - South Africa

Established
1989

Branches
12

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(All figures in US Dollars unless otherwise stated)

AL BARAKA BANK LEBANON S.A.L.

Recovery of the Lebanese economy continued to be delayed by the difficulties caused by the refugee influx, the waste management crisis and the uncertain political climate, despite the success of the government's $1.6 billion Eurobond issue which was oversubscribed by the local banks. However the banking sector maintained its growth pattern, fed mainly by the increase in deposits. The Lebanese economy is estimated to have grown by only 2.0% compared with 2.5% in 2014. Real estate transactions fell by 20% in this sluggish environment. Inflation was reduced to notional levels, estimated at 0.1% in 2015.

Al Baraka Lebanon's total assets fell by 12% to $321 million, mostly on account of a 10% reduction to $209 million in its total financings and investments, attributable to a decrease in Murabaha sales receivables. The drop in total assets was matched by a similar fall in total customer accounts including EIAH.

The bank's total income from joint financings and investments was 11% lower than the previous year at $10 million and after accounting to the EIAH investors for their share, its own share including its Mudarib fee was 18% down at $4 million. Its income from its self-financed accounts and investments, together with its revenues from banking services also fell, but its Mudarib share on off-balance sheet EIAH and its other income both rose so that its total operating income was 21% up overall on the year, at $13 million. After operating expenses amounting to $10 million, 6% above the previous year, its net operating income was $2 million compared with under $1 million in 2014. Following an allocations for increased provisions, however, the bank recorded a net income of less than $1 million, similar to 2014.

In 2015 Al Baraka Lebanon introduced a new 'Extra Card' to the market aimed at satisfying the need of salaried clients for small cash financings. It also obtained approval to open two new branches, which it will do in 2016 together with on-site ATMs, bringing its branch network to 9 offices, on track for its target of a 12 branch network by 2020. It is meanwhile working towards the launch of a new prepaid MasterCard for usage worldwide.

In 2015 the bank received the 'Best Islamic Banking Services in Lebanon' award from the World Union of Arab Banks.

Al Baraka Bank Lebanon S.A.L.

Established
1991

Branches
7

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President & Chief Executive's Report
(Continued)

AL BARAKA BANK SUDAN

Sudan's economy continued to suffer from the effects of security problems in a number of regions as well as in South Sudan. However, the Sudanese economy is estimated to have grown by some 3.5% in 2015, not dissimilar from 2014. A national dialogue initiated by the government with opposition parties and armed movements holds out some hope of a resolution to these internal problems, leading to greater stability. The government is also working on a 5-year plan which it is hoped will help to increase productivity, especially in the areas of exports and import substitution. The sharp decline in oil prices and inward remittances from expatriate citizens has led to a severe shortage of foreign exchange resources, impacting on the banking system while also leading to the emergence of a significant gap between the official exchange rate and that of the parallel market. The official value of the Sudanese Pound continued to decline against international currencies, reaching SDG6.43/$ compared with SDG6.30/$ at the end of 2014.

The weakness of the Sudanese Pound to some extent masked the performance of Al Baraka Sudan in 2015. The bank's total assets grew by a healthy 6% to SDG2.24 billion, reflecting a 9% increase in its total financings and investments which reached SDG1.29 billion at year-end. The growth was mainly seen in the Murabaha sales receivables and in the Istisna'a and Musharaka portfolios, with the greatest percentage increase in the Istisna'a, although non-trading investments also contributed. In dollar terms, total assets rose by 4% to $348 million, with financings and investments up by 7% to $200 million. Growth was fuelled by a 6% rise in total customer accounts including EIAH in dollar terms, of which customer current and other accounts comprised the major part.

As a result of the rise in financings and investments, the total income from jointly financed accounts and investments increased strongly by 39% to SDG179 million. After apportioning the EIAH investors' share, the bank's share including its Mudarib fee amounted to SDG157 million, 45% above that of the previous year. In dollar terms the bank's share from this source was 36% higher at $24 million. After including income from its self-financed accounts and investments, Mudarib share of the off-balance sheet EIAH, banking and other operating income, the total operating income was 31% higher at SDG211 million which, after operating expenses, produced a net operating income of SDG84 million, or $13 million in dollar terms, 23% above the previous year. After allocations for provisions and taxation, the net income for the year was SDG61 million or $9 million, 15% higher in local currency and 7% higher in dollars than 2014's result.

Having assumed responsibility for organising the clearing and settlement of all contracts on the Khartoum Stock Exchange between 22 brokerage firms, the bank launched a new daily yield deposit product offered to the brokerages and large corporations. In response to State initiatives to move towards 'e-government', the bank is upgrading its core banking system to incorporate electronic payment applications. It has introduced a new service to enable electronic payment by personal customers of university fees and by corporate clients of custom duties, at 3 cash offices affiliated to branches chosen for that purpose. It is planning to open a new branch in Khartoum Governate, while progressing with plans for a new headquarters building in the capital. It anticipates adding one branch each year for the next five years, expanding the network to 35 by 2020. Its ATM network was meanwhile expanded to 40 and will continue to grow in line with the increase in the branch network. It will be formally launching its mobile banking service in 2016, in addition to introducing its new 'Smart Account' for university students.

Al Baraka Bank Sudan

Established
1984

Branches
27

Unit Head: Mr. Abdullah Khairy Hamid
Title: General Manager

Address: Al Baraka Tower
P.O. Box 3583
Qasr Street, Khartoum
Sudan

Tel: +249187 112 000
Fax: +249183 788 585
albaraka.com.sd

(All figures in US Dollars unless otherwise stated)

ITQAN CAPITAL - KINGDOM OF SAUDI ARABIA

Given the continuing low oil prices on the world markets, the Saudi Arabian economy did well to grow at an estimated 2.7% in 2015. The budget deficit was a high -12.7% of GDP while the current account position was reversed from surplus to a deficit of -2.7% of GDP. The rate of inflation remained at moderate levels, at 2.7%. Nonetheless, the Saudi stock market was affected by negative factors impacting the economy including the sustained low oil prices on the international market and global economic slowdown generally. The Saudi Ryal remained fixed against the dollar at SAR3.75/$.

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 fell by 10% to $34 million in 2015 as a substantial increase in its trading securities and a new investment in property were more than offset by reduced non-trading investments. Although its revenues from advisory and fund and investment management services increased by 6%, it made no income from its own investment activities compared with over $1 million in 2014. The total operating income therefore fell below the $1 million mark compared with $2 million earned in 2014 so that, after deduction of operating expenses, the Company reported a net operating loss of $4 million, and net loss overall of a little under $4 million, 28% higher than the previous year's net loss.

Among new developments announced by Itqan Capital in 2015 was the inauguration of the Itqan Education Fund, a private equity fund aiming to invest $50 million in selected schools in the Kingdom, which commenced its fund raising roadshow in the last quarter. It also signed a number of joint venture agreements, including one with a major firm to set up a global brokerage firm and another with a local hospital operator to build a new hospital in Jeddah. Its Real Estate Income Fund REIF-III was fully invested and has acquired a top-end housing compound in Riyadh and commenced dividend distribution.

Looking to 2016 and beyond, Itqan Capital is planning to launch the Itqan Healthcare Development Fund, the Itqan Diversified Real Estate Fund, the Itqan Food & Beverage Fund and Itqan IPO Fund, all of which are currently under development.

Among the plaudits received by it in the year, Itqan Capital earned the title 'Best Up and Coming Investment Company' under the Best Islamic Financial Institution Awards 2015 by Global Finance magazine. In reflection of its success and rapid growth, the Company has meanwhile acquired new and larger office space and expects to move to its new offices in early 2016 and is progressing with plans to open representative offices in Riyadh and Bahrain in 2017.

Itqan Capital, Saudi Arabia

Established
2007

Unit Head: Mr. Adil S. Dahlawi
Title: MD & CEO

Address: Elite Al Shatea, Al Malik Road
P.O. Box 8021
Jeddah 21482
Kingdom of Saudi Arabia

Tel: +966 12 234 7000
Fax: +966 12 234 7222
itqancapital.com

President & Chief Executive's Report
(Continued)

AL BARAKA BANKING GROUP, INDONESIA (REPRESENTATIVE OFFICE)

Indonesia's economic growth rate in 2015 is estimated at 4.7%, down a little from 5.0% in 2014. The current account deficit was once more reduced, to -2.0% from -3.1% of GDP, while the budget deficit remained little changed at -2.0% of GDP. The rate of inflation rose to 6.2% from 4.8% 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 bank/s. 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.

Al Baraka Banking Group Representative Office, Indonesia

Established

2008

Address:	Ravindo Building, 10th Floor Jalan Kebon Sirih, No. 75 Jakarta Pusat 10340 Indonesia
Tel: **Fax:**	+62 21 316 1345 +62 21 316 1074 albaraka.com

(All figures in US Dollars unless otherwise stated)

AL BARAKA BANKING GROUP, LIBYA (REPRESENTATIVE OFFICE)

Estimates are that Libya's GDP may have fallen by 9.4% in the last year, and an average of 6.0% over the last five years, as the country continues to suffer unstable and unsettled conditions and greatly reduced crude oil production. Although it still retains substantial foreign exchange reserves, these are being drawn down very quickly. Inflation is estimated to have been 8% in the past year but this is unverifiable.

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 establish and maintain relationships with local regulators and banks and explore appropriate opportunities for business when appropriate.

Al Baraka Banking Group Representative Office, Libya

Established
2011

Unit Head:	Mr. Mohamed ElKhazmi
Title:	Chief Representative
Address:	Tripoli Tower, Tower 1 14th Floor, Office No. 144 P.O. Box 93271 Tripoli, Libya
Tel:	+218 (21) 336 2310 +218 (21) 336 2311
Fax:	+218 (21) 336 2312 albaraka.com

Corporate Governance

Al Baraka Banking Group 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 finance 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 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. In 2014 the CBB introduced further requirements addressing the matter of remuneration of Approved Persons and Material Rick Takers (see below), which requirements were duly adopted by ABG. 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.

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.

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 then to the Board Affairs and Remuneration Committee for it to make its recommendations to the Board. 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 thirteen 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.

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 more than one third of directors as independent directors as defined in the CBB Rulebook.

In 2015 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.

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 four 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.

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 AlSaleh, with its other members being Mr. Jamal Bin Ghalaita, Mr. Fahad A. Al Rajhi and Mr. Mohyedin Saleh Kamel. Membership of the Committee comprises 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.

Corporate Governance
(Continued)

DIRECTORS' ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2015

Name the Board/ Committees	No. meetings in 2015	Dates of the meetings	Member's name	No. of meetings attended
Board of Directors	7	22/02/2015	Sh. Saleh Abdullah Kamel	7
		23/03/2015	Mr. Abdulla A. Saudi	7
		10/05/2015	Mr. Abdullah Saleh Kamel	7
		23/06/2015	Mr. Saleh Al Yousef	7
		09/08/2015	Mr. Adnan Ahmed Yousif	7
		10/11/2015	Mr. Abdul Elah Sabbahi	7
		27/12/2015	Mr. Ebrahim Fayez Al Shamsi	7
			Mr. Jamal Bin Ghalita	6
			Mr. Yousef Ali Fadil Bin Fadil	7
			Dr. Bassem Awadallah	7
			Mr. Mohyedin Saleh Kamel	7
			Mr. Fahad Abdullah A. Al Rajhi	7
			Mr. Saud Saleh Al Saleh	6
Board Executive Committee	4	29/01/2015	Mr. Abdullah Saleh Kamel	4
		04/05/2015	Mr. Abdul Elah Sabbahi	4
		03/12/2015	Mr. Yousef Ali Fadil Bin Fadil	4
		27/12/2015	Mr. Adnan Ahmed Yousif	4
Audit & Governance Committee	5	22/02/2015	Mr. Saleh Al Yousif	5
		10/05/2015	Mr. Ebrahim Fayez Al Shamsi	5
		09/08/2015	Dr. Bassem Awadallah	5
		10/11/2015		
		28/12/2015		
Board Affairs & Remuneration Committee	3	15/01/2015	Mr. Ebrahim Fayez Al Shamsi	3
		10/05/2015	Mr. Saleh Al Yousef	3
		05/11/2015	Mr. Yousef Ali Fadil Bin Fadil	3
Risk Committee	3	01/03/2015	Mr. Saud Saleh Al Saleh	3
		17/05/2015	Mr. Jamal Bin Ghalita	3
		15/10/2015	Mr. Fahad Abdullah A. Al Rajhi	1
			Mr. Mohyedin Saleh Kamel	3
Social Responsibility Committee	3	23/03/2015	Dr. Bassem Awadallah	3
		23/06/2015	Mr. Adnan Ahmed Yousif	3
		09/11/2015	Mr. Abdul Elah Sabbahi	3
			Mr. Fahad Abdullah A. Al Rajhi	3

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, and member of the Advisory Panel of the Islamic Development Bank. 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 over five decades, 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, Founder, President & Chief Executive, Arab Banking Corporation (B.S.C.), Bahrain from 1980 to 1994. He also founded Arab Financial Services (E.C.) and ABC Islamic Bank (E.C.), Bahrain. Prior to that he was the Founder, Chairman and General Manager of Libyan Arab Foreign Bank, Tripoli 1972 – 1980, in addition to holding various positions at the Central Bank of Libya spanning a period of 14 years. Mr. Saudi is a world-renowned and respected international banker of over 5 decades standing. Over his distinguished career, he 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 in the position of Vice President for Business Sector until 1999 when he assumed his current position. Mr. Abdulla Kamel has acquired over 27 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 33 years' experience in the banking Industry. Mr. Al Yousef, a Kuwaiti national, holds a Bachelor of Commerce Degree from Kuwait University.

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 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 had over 40 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 36 years' experience in international banking and business, the last 26 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 43 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. Previously, Mr. Ghalaita was Group Deputy Chief Executive Officer and General Manager, Consumer Banking and Wealth Management at Emirates NBD. Since his appointment to the role in late 2011, he is credited with having driven record breaking growth in Emirates Islamic Bank, thus marking it as the fastest growing bank in the country. His focused approach 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 UAE in two out of the past three years. Mr. Ghalaita's career spans over 25 years in the banking industry. Mr. Ghalaita, a UAE national, holds a degree in Business Administration from the University of Arizona, USA, in addition to having successfully completed various specialist courses in Leading Corporate Renewal and Transformation programmes at leading global institutions.

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 gained more than 30 years' experience in the banking field. Mr. Bin Fadil, a UAE national, holds a Bachelor's degree in Mathematics & Computer Science from Gonzaga University, Spokane, Washington State, USA.

Dr. Bassem Awadallah
Board Member

Chief Executive Officer, Tomoh Advisory, a consultancy based in Dubai. He currently also serves as a personal envoy of His Majesty King Abdullah II of the Hashemite Kingdom of Jordan. 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. He also served as Secretary General of the Islamic Chamber of Commerce and Industry 2010-2013. Mr. Awadallah, a Jordanian national with almost 30 years of diverse experience, holds a Ph.D. and an M.Sc. degree in Economics from the London School of Economics and Political Science of the University of London (1985 and 1988).

Mr. Mohyedin Saleh Kamel
Board Member

Deputy Chief Executive Officer for Projects, Dallah Albaraka Holding Company. Previously Chairman of the Boards 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 with 14 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. 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 37 years' experience in a variety of business and financial fields. Mr. Al-Rajhi, a Saudi national, holds a 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 and Board member, Gulf Company for Real Estate. 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 31 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.

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 2015, the Executive Management Team consisted of the President & Chief Executive and the Heads of: Strategic Planning; Operations and Administration; Finance; 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 each 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; Finance; Credit and Risk Management; Treasury, Investments and Financial Institutions; and Legal Affairs with Head of Internal Audit as observer.

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; Finance; 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; Finance and Credit and Risk Management, together with the Manager of Credit Review and Analysis and the Manager - Credit Portfolio 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 the Head of Operations and Administration and the other members are the Heads of: Finance; 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 the Head of Operations and Administration and the other members are the Heads of Strategic Planning and Finance.

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.

EXECUTIVE MANAGEMENT

Mr. Adnan Ahmed Yousif

President & Chief Executive

Mr. Yousif has more than 40 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 of Business Administration degree from the University of Hull, UK.

Mr. Majeed H. Alawi

Executive Vice President - Head of Internal Audit

Mr. Alawi has over 35 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 an observer member in Audit Committee meetings of all ABG's subsidiaries. The audit function also includes the review of the controls environment of IT systems used, and controls to ensure Shari'a compliance, in addition to a specific review to ensure compliance with local and international regulatory requirements. Previously he was an 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, UK (1980).

Mr. K. Krishnamoorthy

Executive Vice President - Head of Strategic Planning

Mr. Krishnamoorthy has over 39 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 40 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 following 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, after having commenced his career with Habib Bank Ltd. in 1973.

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

Mr. Hamad Abdulla Ali Eqab

Executive Vice President - Head of Finance

Mr. Eqab has over 22 years' experience in finance and auditing. He is Chairman of the Accounting 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 41 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 and a Banking Certificate from the Institute of Canadian Bankers. He is a graduate of the Advanced Management Program at INSEAD France.

Mr. Salah Othman Abuzaid

Senior Vice President - Head of Legal Affairs

Mr. Abuzaid has over 31 years' professional experience as a judge, a practicing advocate and legal consultant to a number of local, regional and international law firms and financial institutions. He also serves as Secretary to the Board of Directors of ABG and some 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 served 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 24 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, 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 in 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 30 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.

Mr. Qutub Yousafali

Head of Group Compliance

Mr. Qutub Yousafali is a banking professional with more than 35 years of experience in finance and banking and joined ABG in January 2012. Prior to that Mr. Yousafali worked with Arab Banking Corporation (B.S.C.), Bahrain, most recently as Head of Group Compliance responsible for overseeing and coordinating compliance functions and activities, including regulatory compliance, corporate governance, anti-money laundering and international sanctions across the network of offices worldwide. Before this appointment in 2009 he held a number of senior positions in the Arab World Division & Universal Banking area of Arab Banking Corporation (B.S.C.), to which he transferred in 1995 from an affiliate bank where he had held a number of senior positions over several years. Mr. Yousafali commenced his professional career with Peat Marwick Mitchell & Co. (now KPMG), London. During his long working career, Mr. Yousafali has gained varied experience in compliance, business & expansion strategy, investment analysis, feasibility studies, financial accounting and auditing.

Mr. Yousafali is a Fellow of The Institute of Chartered Accountants in England & Wales, UK.

COMPLIANCE, POLICIES AND PROCEDURES

Group Compliance

In accordance with its resolve to apply and maintain the highest standards of compliance, ABG has appointed a Group Compliance Officer who is responsible for formulating a compliance strategy and a compliance management framework for the ABG 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 ABG 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 Group 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 Group Compliance Officer has the right and the authority to contact the CBB as and when he considers it necessary. The Group Compliance Officer is supported by dedicated Compliance teams in all ABG subsidiaries. At the Group level the Group Compliance Officer is responsible for coordinating the identification and management of the ABG 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 ABG 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 (FATCA).

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 the development and implementation of suitable local policies consistent with local regulatory requirements. In addition, the ABG Group has a strict Code of Conduct in place to which all employees are required to adhere to 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 ABG Group, its officers and staff, who are expected to read, understand and uphold these standards and principles at all times.

The ABG Group 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.

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 ABG 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 ABG 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 the Group AML Policy, suitably qualified 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 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. As evidenced by the large number of cases reported and the very sizeable fines imposed, sanctions risk has become one of the most serious ones faced by banks worldwide.

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

The ABG 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 ABG 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.

Intergovernmental Agreements (IGAs) Models 1 and 2 were offered by the IRS to reduce the compliance costs and operational issues arising from the implementation of FATCA. Most of the countries, including Bahrain where Al Baraka subsidiaries operate have either signed or are expected to sign an IGA Model 1 with the US. If the IGAs are signed in accordance with the FATCA regulations, ABG subsidiaries will be required to report the necessary US account-related information to their nominated local authorities only, who in turn will provide the said information to the IRS.

From the outset, the ABG Group had taken necessary steps to build awareness and made substantial investments in training people and systems in order to implement the new legislation throughout its network of offices. A robust Group FATCA strategy and policy is in place and is being implemented throughout the Group. As a result all our subsidiaries are substantially prepared to comply with the FATCA reporting and withholding requirements within the revised 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 Finance 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 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 capital adequacy ratio of 8% on a solo basis and 12.5% (including capital conservation buffer (CCB) of 2.5%) on a consolidated basis.

By the end of 2014, the CBB had issued the final regulation to give effect to the Basel III framework which came into effect on 1 January 2015. The Basel III framework significantly revises the definition of regulatory capital. The framework emphasises common equity as the predominant component of tier 1 capital by introducing a minimum common equity tier 1 (CET1) capital ratio. The Basel III rules also require institutions to hold capital buffers. For the purpose of calculating CET1 capital, the regulatory adjustments including amounts above the aggregate limit for significant investments in financial institutions, mortgage servicing rights, and deferred tax assets from temporary differences, will be deducted from CET1 over a phased manner to be fully deducted by 1 January 2019. The current capital position is sufficient to meet the new regulatory capital requirements.

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 2015 are reflected in Note 23 to the Consolidated Financial Statements.

REMUNERATION POLICY AND RELATED DISCLOSURES

The Group's total compensation approach, which includes the variable remuneration policy, sets out the Group'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 Group adopted regulations concerning Sound Remuneration Practices issued by the CBB and proposed revisions to its variable remuneration framework. The revised policy framework and incentive components were submitted to its shareholders for approval. The revised policy framework and incentive components were subsequently approved by the shareholders in Annual General Meeting so that the policy became effective for the 2014 annual performance incentives and future periods.

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

Remuneration strategy

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

The quality and long-term commitment of all of the Group's employees is fundamental to its success. The Group therefore aims to attract, retain and motivate the very best people who are committed to maintaining a career with the Group, and who will perform their role in the long-term interests of its shareholders. The Group'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 Group 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 Group'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 Group 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 have a material impact on the Group's risk profile.

In order to ensure alignment between what the Group pays its people and its business strategy, the Group assesses individual performance against annual and long-term financial and non-financial objectives summarised in its performance management system. This assessment also takes into account adherence to the Group's values, risks and compliance measures and above all acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short and the 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 Group'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 Group.

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

- Approving, monitoring and reviewing the remuneration system to ensure the system operates as intended;
- Approving 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;
- Ensuring remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that earn the same short-run profit but take different amounts of risk on behalf of the Group;
- Ensuring that for Material Risk Takers, variable remuneration forms a substantial part of their total remuneration;
- Reviewing 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 evaluating 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 realised or whose likelihood of realisation remains uncertain at the time of payment;
- Ensuring that for approved persons in risk management, internal audit, operations, finance and compliance functions the mix of fixed and variable remuneration is weighted in favour of fixed remuneration;
- Recommending Board members' remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law; and
- Ensuring 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 $42,623 (2014: $ 48,000). Other details concerning BARC memberships are disclosed elsewhere in this report.

External consultants

Consultants have been appointed to advise the Group on any relevant amendments to its variable remuneration policy required to bring it into line with the CBB's Sound Remuneration Practices and industry norms. This has included assistance in designing an appropriate Share-based Incentive Scheme for the Group.

Scope of application of the remuneration policy

The remuneration policy has been adopted on a Groupwide basis.

Board remuneration

The Board of Directors' 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 the 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 Group's strategic objectives.

The Group 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 Group's profits between shareholders and employees.

Key performance metrics at the Group 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 Group 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. The BARC demonstrates that its decisions are consistent with an assessment of the Group's financial condition and future prospects.

The Group uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Group's objective to pay bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base may be adjusted at the discretion of the BARC.

Funding for distribution of a bonus pool is dependent on threshold financial targets being achieved by the Group. The performance measures ensure that total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Group 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 is maintained at a level which enables the Group to attract and thus employ qualified and experienced personnel in these functions. The Group ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not determined by the financial performance of the business areas they monitor.

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

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Group undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. The Group 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 Group's current capital position and its ICAAP.

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

The size of the variable remuneration pool and its allocation within the Group 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 Group's performance against the risk management framework. The BARC will use this information when considering remuneration to ensure that returns, risks and remuneration are aligned.

Risk adjustments

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

In any year where the Group suffers material losses in its financial performance, the risk adjustment framework will work as follows:

- There will be considerable contraction of the Group's total variable remuneration
- At an individual level, poor performance by the Group 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 rationalise and make the following discretionary decisions:

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

Malus and Clawback framework

The Group's malus and clawback provisions allow the 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 Group 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 Group to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the Group during the relevant performance year.

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

The Group's malus and clawback provisions allow the 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 wilful misbehaviour, material error, negligence or incompetence of the employee causing the Group/ employee's business unit to suffer material loss in its financial performance, material misstatement of the Group's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehaviour or incompetence during the relevant performance year.
- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Group during the relevant 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 the 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 Group's share price as per the rules of the Group'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, or equivalent, 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, may increase the coverage of employees that are subject to deferral arrangements.

Details of remuneration paid

(a) Board of Directors

	2015	2014
• Sitting Fees	$417,000	$456,000
• Remuneration	$1,500,000 *	$1,500,000
• Other	$229,911	$214,655

* To be approved in forthcoming AGM in March 2016

The category 'Other' includes the reimbursement of air fares and payment of per diem allowances 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 amounted to $4,147,827 (2014: $3,169,088) and the number of persons affected: 9 (2014: 7).

The total variable remuneration for 2015 was $5,902,573 (2014: $4,886,180)

(c) Deferred awards

Selected members of management in ABG'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, in accordance with the said programme, are used to purchase shares in ABG, which purchases are deferred over a three year period, with annual vesting. Total amounts of deferred variable remuneration amounted to $3,541,544 (2014: $2,931,708).

(d) Severance pay – Nil (2015-2014)

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 the Risk Committee of the Board of Directors and 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 on recommendations by the Risk Committee of the Board 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 or under delegated authorities by Committees of the management. 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 Credit and Risk Policies and Guidelines Manual and Credit and Risk Management Manuals in each of the subsidiaries, which incorporate 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 III requirements, is in operation, under which the required data is retrievable automatically at Head Office. Groupwide implementation of the operational risk management systems at the level of each subsidiary is well advanced with completion expected in 2016.

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 and other financing transactions (Salam, Istisna'a, Musharaka 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 covering Single Obligor Large Exposures and case by case approvals 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 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 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 2015 are detailed in Note 26 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 and control 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 indicated above, Subsidiaries of the Group are well advanced to replace their legacy systems with new modern systems of Operational Risk Management.

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. Please refer to separate section on Group Compliance function.

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 2015 was 14.55%, comfortably above the CBB's minimum regulatory requirement of 12.5%. (including CCB of 2.5%).

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 local strategy. The Group's short, medium and-long term IT strategies are now well established, standardized around a few carefully chosen core banking solutions that have now been successfully implemented. The Head Office IT Steering Committee will continuously monitor the Group IT strategy and update it on a periodical basis to ensure it stays relevant to enable ABG's strategic objectives.

ABG's initial web-based financial consolidation and reporting solution 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 solution, enables the collection, processing, reporting and analyzing of data from across the various subsidiaries.

Careful coordination by the Head Office IT Steering Committee of an approved list of core banking system solutions has enabled each subsidiary to adapt to their local requirements while from a Group-level perspective achieving a more advanced degree of standardization in addition to enhancing functionality to improve the business process and continuously comply with the latest regulatory requirements of AML, KYC and FATCA. Some Al Baraka subsidiaries have gone through transformations to ensure attainment of strategic objectives. Al Baraka Tunisia has upgraded its core banking system and acquired additional modules to enable the expansion of the bank's business into retail.

Al Baraka Turkey has gone through an expansive "Bank Transformation" project (SIMURG) which has had a multifaceted impact on its IT. As a result, Al Baraka Turkey went live with its new core banking system (InterVision) this year.

IT at the Head Office continues to provide a number of services and shared systems to ABG subsidiaries. Such services and shared systems allow the Group IT to enable the Group business objectives in an efficient and effective manner while ensuring the use of the latest technology according to best practices, in partnership with a leading IT advisory firm.

Corporate 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.

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 business ethics of Islam and, therefore, with Al Baraka's foundation philosophy from which emanates its traditional values and principles.

Our philosophy 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 and opportunities for others. Thus, the wealth bestowed upon us must be invested in creating the wealth and opportunities in society. 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 efforts to apply one of the important philosophical pillars of Islamic banking: the concept of E'mar Al Ardh - construction, or development, of land - which means adding tangible value to assets (whether natural or human).

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 fundamental to our business model in all the countries in which we operate. All our subsidiaries embrace Islamic ethical principles and apply them to their banking operations and services.

These principles may be summarised as:

First: Investments may only be made in sectors and industries that meet ethical standards. The moral values of Islam dictate that Muslims must invest in the production of, and trade in, useful and beneficial goods only. They therefore forbid investment in such activities as, for example, contribute to the production of alcoholic beverages, tobacco or weapons, or are associated in any way with gambling, pornography or the abuse of children, women and minorities, or any other morally questionable practices.

Second: All Islamic banks and financial institutions eschew the payment of interest in their relations with depositors, consumers and businesses, as Islam prohibits the paying or charging of interest. Instead ABG's banking subsidiaries, like all Islamic banks, accept deposits on an investment basis whereby depositors share with the bank in the actual results of the realisation of their investments. Financing is provided to businesses in turn mainly on the basis of instalment sale, leasing or equity participation. In this way, they and their depositors share the financial risk with the entrepreneurs and together they reap the benefits of the investments. The essential difference in Islam is that the practice of profit sharing is such that wealth creation is the result of a partnership between investors and entrepreneurs in which both the risks and the rewards are shared: returns on invested capital are based on profits actually generated rather than predetermined interest rates.

Third: All contracts entered into by Al Baraka's banking subsidiaries, and all their relations with businesses and depositors, must comply with the ethical standards of the Shari'a.

The Al Baraka Social Responsibility Programme

To these ends, in 2012 we established the "Al Baraka Social Responsibility Programme", the first such programme to be introduced by any Islamic banking and financial services institution.

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 scholarly works of Islamic banking and finance.
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.

A Board Committee for Social Responsibility oversees the activities of the **Social Responsibility Management Committee**, whose role in turn is to:

1. Maintain the continuity of the Al Baraka Social Responsibility Programme and update it with the most recent international research and popular strategies to enhance Shari'a objectives.
2. Manage and supervise the Social Responsibility Programme implementation of the Al Baraka Group.
3. Ensure that the Programme remains one of the leading Programmes within the Islamic banking and finance industry in general, by developing new researches in Shari'a and economic analyses on 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 two years has been posted on the ABG website and in future a report covering progress over the past year will be available annually on that website. Each of ABG's subsidiaries will also produce an annual report of its activities in this area which will similarly be available on their individual websites.

The Al Baraka Social Responsibility Programme is based on the following pillars:

Al Baraka Philanthropic Programme: covering the promotion and funding of a broad spectrum of activities ranging from the arts, literature and culture, scholarly and literary works, and activities aimed at providing assistance to people with special needs and facilitating them in their own efforts through vocational training.

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.

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

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.

While we have successfully sustained our efforts in most sectors, we are very proud to note greater progress in certain areas. As the Al Baraka Social Responsibility Programme has been growing every year, our progress and the impact of the programme has been steady and consistent:

2012: US$ 940 million
2013: US$ 1,647 million
2014: US$ 1,675 million

Al Baraka Social Responsibility Priorities: 2016-2020

We have decided to take our Social Responsibility Programme to yet another level. We would like to integrate specific targets and priorities for the next five years. Accordingly, by 2020 we would like to impact the communities we operate in by:

- Adding 50,000 jobs across the countries in which we operate as a result of financing new and existing customers' operations. We will give preference to working with customers that are adding and retaining jobs and that offer equal opportunities for men and women.
- Financing, and donating to, a variety of educational institutions.
- Financing, and donating to, children's hospitals, cancer hospitals, diabetic hospitals, kidney dialysis units.
- Working with customers that are more closely aligned with the above Al Baraka Social Responsibility Priorities and the Global Goals for Sustainable Development.

Credit Approval Process and Social Responsibility

We have also developed an internal mechanism to ensure that our entire business model remains socially responsible. We have added new procedures to our credit approval process as a result of which we will not only encourage our existing customers to adopt the Al Baraka Social Responsibility Priorities, but we will also give preference to working with such new customers as are equally committed to consistently adding more value to their respective communities.

The Future

With this, we hope that we can kick-start an industry-wide trend by Al Baraka leading by example. Given that our business model is uniquely tailored around adding economic value to the communities which we serve, our contribution (and as a result our economic value-added contribution to society) will increase in steps with our growth.

Unified Shari'a Supervisory Board Report

For the year ended 31 December 2015

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 five meetings during 2015, one of which was conducted at the premises of Al Baraka Banking Group and two in the premises of the Group's subsidiaries, Al Baraka Bank Sudan and Al Baraka Turk Participation Bank 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 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 2015 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 2015 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 2015 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 Symposium1/31 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 2015 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.

As the article of association of Al Baraka Banking Group is not empowering the Group for paying Zakah on behalf of the shareholders and there is no such law in Kingdom of Bahrain requiring the Group to pay Zakah on behalf of the shareholders, unless there is a direct empowerment from the general assembly to the Group to pay Zakah on the behalf of the shareholders. In case of unavailability of such empowerment, then the shareholders should pay their share of Zakah as per the enclosed calculation. In case of unavailability of liquidity, it is allowed to postpone the Zakah and become debt until the liquidity become available.

Unified Shari'a Supervisory Board Report
(Continued)

Praise be to Allah

Issued on 1 Jamadi Alawal 1437 H, corresponding to 10 February 2016 AD.

Shaik Dr. Abdul Sattar Abu Ghuddah
Chairman

Shaikh Abdulla bin Sulaiman Al Mannea
Member

Shaikh Dr. Abdullatif Al Mahmood
Member

Shaikh Dr. Abdulaziz Al Fawzan
Member

Dr. Ahmed Mohiyeldin
Member

Zakah Calculation for the year ended 31 December 2015

	US$ '000
Equity Attributable to Shareholders	1,356,402
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Itqan Capital	(204,373)
Net Zakatable Equity Attributable to Shareholders	**1,152,029**
Less:	
Musharaka underlined by unzakatable assets	(86,737)
Investment in Islamic Sukuk underlined by unzakatable assets	(88,578)
Ijarah Muntahia Bittamleek	(421,954)
Long-term investment in real estate	(47,100)
Properties and equipment	(253,087)
Intangible assets	(88,957)
Investment in Associates	(25,825)
Prepayments	(24,361)
Deferred tax asset	(14)
Add:	
Shareholders share on Zakatable Assets by Associates	18,924
Borrowing to finance Unzakatable Assets	4,209
Sale of long-term investment in real estate during the year	2,577
Deferred tax liability	6,045
Employees' end of services benefit	28,860
Zakatable amount	**176,031**
Zakah Percentage	2.5775%
Total Zakah due	**4,537**
Number of Shares (thousands)	1,107,282
Zakah per share (US$ cents)	**0.41**

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 2015, and the related consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders 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 2015, the results of its operations, its cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders 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 occurred during the year ended 31 December 2015 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. 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

21 February 2016
Manama, Kingdom of Bahrain

Consolidated Statement of Financial Position
At 31 December 2015

	Notes	2015 US$ '000	2014 US$ '000
ASSETS			
Cash and balances with banks	3	**5,373,409**	5,011,262
Receivables	4	**11,959,052**	11,999,547
Mudaraba and Musharaka financing	5	**1,558,593**	1,549,786
Investments	6	**3,105,750**	2,580,034
Ijarah Muntahia Bittamleek	7	**1,734,457**	1,494,799
Property and equipment	8	**444,608**	379,323
Other assets	9	**442,332**	448,838
TOTAL ASSETS		**24,618,201**	23,463,589
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		**4,841,099**	4,509,312
Due to banks		**808,268**	1,211,493
Long term financing	10	**1,497,208**	655,669
Other liabilities	11	**862,444**	872,700
Total liabilities		**8,009,019**	7,249,174
EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	**14,514,599**	14,139,792
OWNERS' EQUITY	13		
Share capital		**1,115,746**	1,093,869
Treasury shares		**(8,464)**	(8,261)
Share premium		**17,662**	17,288
Reserves		**165,459**	147,621
Cumulative changes in fair values		**38,529**	3,073
Foreign currency translations		**(461,948)**	(313,602)
Retained earnings		**433,631**	343,398
Proposed appropriations		**55,787**	54,693
Equity attributable to parent's shareholders		**1,356,402**	1,338,079
Non-controlling interest		**738,181**	736,544
Total owners' equity		**2,094,583**	2,074,623
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**24,618,201**	23,463,589

Saleh Abdullah Kamel
Chairman

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

The attached notes 1 to 29 form part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2015

	Notes	2015 US$ '000	2014 US$ '000
INCOME			
Net income from jointly financed contracts and investments	14	**1,223,215**	1,166,772
Return on equity of investment accountholders before Group's share as a Mudarib		**(1,026,367)**	(1,018,827)
Group's share as a Mudarib	15	**345,415**	328,871
Return on equity of investment accountholders		**(680,952)**	(689,956)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		**542,263**	476,816
Mudarib share for managing off-balance sheet equity of investment accountholders		**5,583**	13,886
Net income from self financed contracts and investments	14	**272,941**	236,420
Other fees and commission income	16	**200,513**	187,144
Other operating income	17	**34,794**	41,413
		1,056,094	955,679
Profit paid on long term financing		**(56,541)**	(38,117)
TOTAL OPERATING INCOME		**999,553**	917,562
OPERTAING EXPENSES			
Staff expenses		**298,927**	301,308
Depreciation and amortisation	18	**50,054**	45,575
Other operating expenses	19	**186,890**	174,477
TOTAL OPERATING EXPENSES		**535,871**	521,360
NET OPERATING INCOME FOR THE YEAR BEFORE PROVISIONS AND IMPAIRMENT AND TAXATION		**463,682**	396,202
Provisions and impairment	20	**(58,371)**	(21,163)
NET INCOME BEFORE TAXATION		**405,311**	375,039
Taxation		**(119,125)**	(100,272)
NET INCOME FOR THE YEAR		**286,186**	274,767
Attributable to:			
Equity holders of the parent		**162,741**	151,731
Non-controlling interest		**123,445**	123,036
		286,186	274,767
Basic and diluted earnings per share - US cents	21	**14.70**	13.70

Saleh Abdullah Kamel
Chairman

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

The attached notes 1 to 29 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	Notes	2015 US$ '000	2014 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		**405,311**	375,039
Adjustments for:			
Depreciation and amortisation	18	**50,054**	45,575
Depreciation on Ijarah Muntahia Bittamleek	14.4	**191,729**	91,505
Unrealised gain on equity and debt-type instruments at fair value through statement of income	14.3	**(145)**	(495)
Gain on sale of property and equipment	17	**(10,502)**	(6,262)
Loss (gain) on sale of investment in real estate	14.3	**1,332**	(693)
Gain on sale of equity type instruments at fair value through equity	14.3	**(1,509)**	(1,489)
Gain on sale of equity and debt-type instruments at fair value through statement of income	14.3	**(1,636)**	(927)
(Gain) loss from associates	14.3	**(652)**	294
Provisions and impairment	20	**58,371**	21,163
Operating profit before changes in operating assets and liabilities		**692,353**	523,710
Net changes in operating assets and liabilities:			
Reserves with central banks		**(804,579)**	216,593
Receivables		**(18,818)**	(1,217,961)
Mudaraba and Musharaka financing		**(10,608)**	(354,519)
Ijarah Muntahia Bittamleek		**(431,386)**	(644,257)
Other assets		**3,510**	(45,859)
Customer current and other accounts		**331,783**	260,131
Due to banks		**(403,225)**	115,625
Other liabilities		**(25,342)**	171,713
Equity of investment accountholders		**378,244**	1,732,269
Taxation paid		**(104,730)**	(81,313)
Net cash (used in) from operating activities		**(392,798)**	676,132
INVESTING ACTIVITIES			
Net purchase of investments		**(514,289)**	(142,578)
Net purchase of property and equipment		**(57,424)**	(5,067)
Dividends received from associates		**2,068**	654
Disposal (purchase) of investment in associate		**3,556**	(21,484)
Net cash used in investing activities		**(566,089)**	(168,475)
FINANCING ACTIVITIES			
Long term financing		**841,539**	114,989
Dividends paid to equity holders of the parent		**(32,816)**	(36,690)
Net movement in treasury shares		**171**	397
Net changes in non-controlling interest		**(33,494)**	(19,607)
Net cash from financing activities		**775,400**	59,089
Foreign currency translation adjustments		**(258,945)**	(136,378)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(442,432)**	430,368
Cash and cash equivalents at 1 January		**2,735,121**	2,304,753
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**2,292,689**	2,735,121

The attached notes 1 to 29 form part of these consolidated financial statements.

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2015

	Attributable to equity shareholders of the parent												
				Reserves		Cumulative changes in fair values							
	Share capital US$'000	Treasury shares US$'000	Share premium US$'000	Statutory reserve US$'000	Other reserves US$'000	Investments US$'000	Property and equipment 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
Balance at 1 January 2015	1,093,869	(8,261)	17,288	108,311	39,310	3,073	-	(313,602)	343,398	54,693	1,338,079	736,544	2,074,623
Dividends paid	-	-	-	-	-	-	-	-	-	(32,816)	(32,816)	-	(32,816)
Bonus shares issued (note 13)	21,877	-	-	-	-	-	-	-	-	(21,877)	-	-	-
Movement in treasury shares	-	(203)	374	-	-	-	-	-	-	-	171	-	171
Net movement in cumulative change in fair value for Investments	-	-	-	-	-	(844)	-	-	-	-	(844)	(357)	(1,201)
Net movement in cumulative change in fair value for property and equipment	-	-	-	-	-	-	36,300	-	-	-	36,300	21,690	57,990
Net movement in other reserves	-	-	-	-	1,564	-	-	-	-	-	1,564	505	2,069
Foreign currency translation	-	-	-	-	-	-	-	(148,346)	-	-	(148,346)	(110,599)	(258,945)
Net income for the year	-	-	-	-	-	-	-	-	162,741	-	162,741	123,445	286,186
Transfer to statutory reserve	-	-	-	16,274	-	-	-	-	(16,274)	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	-	(22,315)	22,315	-	-	-
Proposed bonus shares	-	-	-	-	-	-	-	-	(33,472)	33,472	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(33,494)	(33,494)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(447)	-	(447)	447	-
Balance at 31 December 2015	**1,115,746**	**(8,464)**	**17,662**	**124,585**	**40,874**	**2,229**	**36,300**	**(461,948)**	**433,631**	**55,787**	**1,356,402**	**738,181**	**2,094,583**

	Attributable to equity shareholders of the parent											
				Reserves								
	Share capital US$ '000	Treasury shares US$ '000	Share premium US$ '000	Statutory reserve US$ '000	Other reserves US$ '000	Cumulative changes in fair values investments 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
Balance at 1 January 2014	1,048,291	(8,123)	16,753	93,138	38,546	(2,380)	(232,928)	263,086	82,268	1,298,651	684,736	1,983,387
Dividends paid	-	-	-	-	-	-	-	-	(36,690)	(36,690)	-	(36,690)
Bonus shares issued (note 13)	45,578	-	-	-	-	-	-	-	(45,578)	-	-	-
Movement in treasury shares	-	(138)	535	-	-	-	-	-	-	397	-	397
Net movement in cumulative change in fair value for investments	-	-	-	-	-	5,453	-	-	-	5,453	2,186	7,639
Net movement in other reserves	-	-	-	-	764	-	-	-	-	764	512	1,276
Foreign currency translation	-	-	-	-	-	-	(80,674)	-	-	(80,674)	(55,704)	(136,378)
Net income for the year	-	-	-	-	-	-	-	151,731	-	151,731	123,036	274,767
Transfer to statutory reserve	-	-	-	15,173	-	-	-	(15,173)	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	(32,816)	32,816	-	-	-
Proposed bonus shares	-	-	-	-	-	-	-	(21,877)	21,877	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(35,200)	(35,200)
Zakah paid by subsidiaries	-	-	-	-	-	-	-	(169)	-	(169)	(54)	(223)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	(1,384)	-	(1,384)	1,384	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	15,648	15,648
Balance at 31 December 2014	1,093,869	(8,261)	17,288	108,311	39,310	3,073	(313,602)	343,398	54,693	1,338,079	736,544	2,074,623

The attached notes 1 to 29 form part of these consolidated financial statements.

Consolidated Statement of Changes in Off-Balance Sheet Equity of Investment Accountholders

For the year ended 31 December 2015

	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 2015	82,015	192,109	313,924	37,588	41,747	160,405	20,228	848,016
Deposits	94,839	346,958	662,398	3,967	40,005	364,780	27,933	1,540,880
Withdrawals	(165,275)	(350,704)	(723,665)	(4,446)	(5,586)	(300,018)	(21,584)	(1,571,278)
Income net of expenses	-	17,104	5,282	1,256	5,291	1,413	80	30,426
Mudarib's share	-	(3,369)	(220)	(88)	(284)	(1,573)	(49)	(5,583)
Foreign exchange translations	-	(31,959)	-	-	-	(24,472)	(8,071)	(64,502)
Balance at 31 December 2015	**11,579**	**170,139**	**257,719**	**38,277**	**81,173**	**200,535**	**18,537**	**777,959**
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	82015	192,109	313,924	37,588	41,747	160,405	20,228	848,016

SUKUK HOLDERS:

	Commodity murabaha US$'000	Ijarah sukuk US$'000	Total US$'000
Subscriptions	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 incentive fee			(5,993)
At 31 December 2014			**350,000**

The attached notes 1 to 29 form part of these consolidated financial statements.

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 21 February 2016.

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 at fair value through statement of income, equity-type instruments at fair value through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The consolidated financial statements are presented in United States Dollars ('US$') being the functional and reporting currency of the Group. All values are rounded to the nearest US$ 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.

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:

	Ownership for 2015	Ownership for 2014	Year of incorporation	Country of incorporation	**No. of branches/ offices at 31 December 2015**
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.90%**	55.90%	1991	Algeria	**30**
Al Baraka Islamic Bank - Bahrain (AIB)	**91.12%**	91.12%	1984	Bahrain	**142**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**22**
Al Baraka Bank Egypt (ABE)	**73.68%**	73.68%	1980	Egypt	**29**
Al Baraka Bank Lebanon (ABBL)	**98.94%**	98.86%	1991	Lebanon	**7**
Jordan Islamic Bank (JIB)	**66.01%**	66.01%	1978	Jordan	**92**
Al Baraka Turk Participation Bank (ATPB)	**56.64%**	56.64%	1985	Turkey	**213**
Al Baraka Bank Limited (ABL)	**64.51%**	64.51%	1989	South Africa	**12**
Al Baraka Bank Sudan (ABS)	**75.73%**	75.73%	1984	Sudan	**27**
Al Baraka Bank Syria (ABBS)*	**23.00%**	23.00%	2009	Syria	**12**

* The Group has control over Albaraka 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:

	Subsidiary held through	**Effective Ownership for 2015**	Effective Ownership for 2014	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%**	75.69%	2007	Saudi Arabia
Al-Omariya School Company	JIB	**62.31%**	62.31%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**65.15%**	65.15%	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%**	64.51%	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, except for the adoption of new standards and interpretations effective as of 1 January 2015 and change in accounting policy with respect to land occupied by the Group (classifed as property and equipment):

New standards, interpretations and amendments adopted by the Group

FAS 23 – Consolidation

The amendment introduced to FAS 23 is to give clarification on the way an Islamic financial institution (IFI) should determine if financial statements of an investee company, or a subsidiary, should be consolidated with its own. The amendment provides clarification that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the Islamic financial institutions that give de facto power over an entity, potential voting rights, or a combination of these factors. In terms of voting rights, the amendment also clarifies that an Islamic financial institution shall consider only substantive voting rights in its assessment of whether the institution has power over an entity. In order to be substantive, the voting rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. Determination of voting rights shall include current substantive voting rights and currently-exercisable voting rights.

2. ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

The amendments and clarifications are effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives. The amendment had no impact on the consolidation of investments held by the Group.

FAS 27 – Investment Accounts

FAS 27 will replace FAS 5 - 'Disclosures of Bases for Profit Allocation between Owner's Equity and Investment Account Holders' and FAS 6 - 'Equity of Investment Account Holders and their Equivalent'. Upon adoption of this standard certain disclosures with respect to investment account holders and bases of profit allocation will be enhanced without having any significant impact on the financial statements of the Group.

Change in accounting policy

During the year the Group changed its accounting policy with respect to land occupied by the Group (classified under property and equipment) from cost model to revaluation model. As per the previous policy, subsequent to initial recognition, land classified under property and equipment was carried at cost less accumulated impairment losses. As per the revised policy subsequent to initial recognition, the land classified under property and equipment is re-measured at fair value with the resulting surplus being recognised in the consolidated statement of changes in owners' equity under cumulative changes in fair value. A revaluation deficit is recognised in the statement of income, except to the extent that if offsets an existing surplus on the same asset recognised in the cumulative changes in the fair value. As per the accounting standard this change in accounting policy is to be applied prospectively and accordingly an revaluation surplus of US $ 57,990 thousand has been recognised in the Group's consolidated statement of financial position and consolidated statement of changes in owners' equity.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements 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.

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

Ijarah 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.

2. ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

Significant accounting policies (continued)

f. Property and equipment

Property and equipment are initially recognised at cost. Subsequent to initial recognition property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value except for land which is curried at fair value in accordance with the change in accounting policy of the Group during the year. 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.

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 Group 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.

2. ACCOUNTING POLICIES (Continued)

Significant accounting policies (continued)

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.

r. Off-balance sheet equity of investment accountholders

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

2. ACCOUNTING POLICIES (Continued)
Significant accounting policies (Continued)
t. Revenue recognition (Continued)

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 underlining 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.

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
As the article of association of Al Baraka Banking Group is not empowering the Group for paying Zakah on behalf of the shareholders and there is no such law in Kingdom of Bahrain requiring the Group to pay Zakah on behalf of the shareholders, unless there is a direct empowerment from the general assembly to the Group to pay Zakah on behalf of the shareholders.

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.

2. ACCOUNTING POLICIES (Continued)
Significant accounting policies (Continued)
aa. Impairment of financial assets (Continued)

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.

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 Group'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.

2. ACCOUNTING POLICIES (Continued)
Significant accounting policies (Continued)

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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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.

3. CASH AND BALANCES WITH BANKS

	2015 **US$ '000**	2014 US$ '000
Balances with central banks*	**3,821,899**	3,910,919
Balances with other banks	**789,692**	670,208
Cash and cash in transit	**761,818**	430,135
	5,373,409	5,011,262

* Balances with central banks include mandatory reserves amounting to US$ 3,080,720 thousand (2014: US$ 2,276,141 thousand). These amounts are not available for use in the Group's day-to-day operations.

4. RECEIVABLES

	2015 **US$ '000**	2014 US$ '000
Sales (Murabaha) receivables (note 4.1)	**11,727,017**	11,761,908
Ijarah receivables (note 4.2)	**34,832**	17,380
Salam receivables (note 4.3)	**125,339**	163,173
Istisna'a receivables (note 4.4)	**71,864**	57,086
	11,959,052	11,999,547

4. RECEIVABLES (Continued)

4.1 Sales (Murabaha) receivables

	2015			2014		
	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	**22,455**	**299,631**	**322,086**	66,642	324,653	391,295
Other murabaha	**1,906,274**	**11,339,803**	**13,246,077**	2,103,908	10,945,418	13,049,326
Gross sales (murabaha) receivables	**1,928,729**	**11,639,434**	**13,568,163**	2,170,550	11,270,071	13,440,621
Deferred profits	**(246,887)**	**(1,214,990)**	**(1,461,877)**	(219,278)	(1,055,947)	(1,275,225)
	1,681,842	**10,424,444**	**12,106,286**	1,951,272	10,214,124	12,165,396
Provisions (note 20)	**(48,452)**	**(330,817)**	**(379,269)**	(58,008)	(345,480)	(403,488)
Net sales (murabaha) receivables	**1,633,390**	**10,093,627**	**11,727,017**	1,893,264	9,868,644	11,761,908

	2015 US$ '000	2014 US$ '000
Non-performing	**459,013**	473,465

4.2 Ijarah receivables

	2015			2014		
	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	**-**	**45,064**	**45,064**	-	23,770	23,770
Provisions (note 20)	**-**	**(10,232)**	**(10,232)**	-	(6,390)	(6,390)
Net ijarah receivables	**-**	**34,832**	**34,832**	-	17,380	17,380

	2015 US$ '000	2014 US$ '000
Non-performing	**28,134**	17,157

4.3 Salam receivables

	2015			2014		
	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	**-**	**130,806**	**130,806**	-	168,304	168,304
Provisions (note 20)	**-**	**(5,467)**	**(5,467)**	-	(5,131)	(5,131)
Net salam receivables	**-**	**125,339**	**125,339**	-	163,173	163,173

	2015 US$ '000	2014 US$ '000
Non-performing	**9,755**	9,089

4. RECEIVABLES (Continued)

4.4 Istisna'a receivables

	2015			2014		
	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	-	72,274	72,274	-	57,604	57,604
Provisions (note 20)	-	(410)	(410)	-	(518)	(518)
Net istisna'a receivables	-	71,864	71,864	-	57,086	57,086

	2015 US$'000	2014 US$'000
Non-performing	693	1,322

5. MUDARABA AND MUSHARAKA FINANCING

	2015 US$ '000	2014 US$ '000
Mudaraba financing (note 5.1)	1,043,517	1,025,223
Musharaka financing (note 5.2)	515,076	524,563
	1,558,593	1,549,786

5.1 Mudaraba financing

	2015			2014		
	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	275,967	778,812	1,054,779	361,748	674,431	1,036,179
Provisions (note 20)	-	(11,262)	(11,262)	-	(10,956)	(10,956)
Net mudaraba financing	275,967	767,550	1,043,517	361,748	663,475	1,025,223

	2015 US$'000	2014 US$'000
Non-performing	11,262	10,956

5.2 Musharaka financing

	2015			2014		
	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	124,764	394,549	519,313	141,175	387,567	528,742
Provisions (note 20)	-	(4,237)	(4,237)	-	(4,179)	(4,179)
Net musharaka financing	124,764	390,312	515,076	141,175	383,388	524,563

	2015 US$'000	2014 US$'000
Non-performing	6,487	8,370

6. INVESTMENTS

	2015 US$ '000	2014 US$ '000
Equity and debt-type instruments at fair value through statement of income (note 6.1)	**20,652**	17,510
Equity-type instruments at fair value through equity (note 6.2)	**102,810**	104,919
Debt-type instruments at amortised cost (note 6.3)	**2,748,405**	2,242,616
	2,871,867	2,365,045
Investment in real estate (note 6.4)	**187,412**	159,549
Investment in associates (note 6.5)	**46,471**	55,440
	3,105,750	2,580,034

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

	2015			2014		
	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	**6,093**	**6,374**	**12,467**	8,749	5,658	14,407
Equities	**271**	**551**	**822**	2,413	690	3,103
	6,364	**6,925**	**13,289**	11,162	6,348	17,510
Unquoted investments						
Equities	**7,363**	**-**	**7,363**	-	-	-
	7,363	**-**	**7,363**	-	-	-
	13,727	**6,925**	**20,652**	11,162	6,348	17,510

6.2 Equity-type instruments at fair value through equity

	2015			2014		
	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	**9,185**	**31,595**	**40,780**	7,363	32,024	39,387
Managed funds	**8,946**	**9,418**	**18,364**	7,053	14,237	21,290
	18,131	**41,013**	**59,144**	14,416	46,261	60,677
Unquoted investments						
Equities	**29,121**	**11,693**	**40,814**	26,626	10,520	37,146
Managed funds	**-**	**6,901**	**6,901**	-	12,385	12,385
	29,121	**18,594**	**47,715**	26,626	22,905	49,531
Provisions (note 20)	**(1,396)**	**(2,653)**	**(4,049)**	(2,650)	(2,639)	(5,289)
	45,856	**56,954**	**102,810**	38,392	66,527	104,919

6. INVESTMENTS (Continued)

6.3 Debt-type instruments at amortised cost

	2015			2014		
	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	625,592	1,023,816	1,649,408	441,539	780,676	1,222,215
Unquoted investments						
Sukuk and similar items	117,207	986,235	1,103,442	72,284	951,964	1,024,248
Provisions (note 20)	-	(4,445)	(4,445)	-	(3,847)	(3,847)
	742,799	2,005,606	2,748,405	513,823	1,728,793	2,242,616

6.4 Investment in real estate

	2015			2014		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	2,154	90,655	92,809	901	82,147	83,048
Buildings	6,719	87,884	94,603	6,079	70,422	76,501
	8,873	178,539	187,412	6,980	152,569	159,549

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

	2015 US$ '000	2014 US$ '000
Beginning balance of the year	159,549	139,350
Acquisitions	35,905	34,803
Net (loss) gain from fair value adjustments	(2,629)	9,050
Disposals	(4,719)	(21,413)
Foreign exchange translation / others - net	(694)	(2,241)
	27,863	20,199
Ending balance of the year	187,412	159,549

6. INVESTMENTS (Continued)

6.5 Investment in associates

Investment in associates comprise the following:

	2015 Ownership %	Country of incorporation	2015 Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market value US$ '000
Quoted						
Investment Banking						
Al Amin for Investment	30.00	Jordan	-	5,535	5,535	3,418
Insurance						
The Islamic Insurance Company	33.40	Jordan	-	8,284	8,284	8,032
Others						
Jordan International Trading Centre	28.40	Jordan	-	2,189	2,189	1,894
Arabian Steel Pipes Manufacturing Company Limited	26.00	Jordan	-	5,242	5,242	4,819
			-	21,250	21,250	18,163
Unquoted						
Real Estate						
Egyptian Saudi Finance Real Estate	40.00	Egypt	-	291	291	
REIF 1 Real Estate Income Fund	37.47	SaudiArabia	3,750	-	3,750	
REIF 2 Real Estate Income Fund	19.90	SaudiArabia	2,085	-	2,085	
REIF 3 Real Estate Income Fund	53.20	SaudiArabia	12,049	-	12,049	
Insurance						
Takaful for Pension and Life Insurance	50.00	Turkey	2,870	-	2,870	
Others						
BEST Lease	28.00	Tunisia	4,176	-	4,176	
			24,930	291	25,221	
			24,930	21,541	46,471	

6. INVESTMENTS (Continued)

6.5 Investment in associates (Continued)

	2014 Ownership %	Country of incorporation	2014 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 Centre	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	

7. IJARAH MUNTAHIA BITTAMALEEK

	2015 Self financed US$ '000	2015 Jointly financed US$ '000	2015 Total US$ '000	2014 Self financed US$ '000	2014 Jointly financed US$ '000	2014 Total US$ '000
Land and building						
Cost	**220,812**	**1,453,236**	**1,674,048**	-	1,276,142	1,276,142
Accumulated depreciation	**(10,927)**	**(323,693)**	**(334,620)**	-	(357,951)	(357,951)
Net book value	**209,885**	**1,129,543**	**1,339,428**	-	918,191	918,191
Equipment						
Cost	**146,615**	**324,408**	**471,023**	314,926	431,186	746,112
Accumulated depreciation	**(14,467)**	**(108,764)**	**(123,231)**	(10,247)	(225,756)	(236,003)
Net book value	**132,148**	**215,644**	**347,792**	304,679	205,430	510,109
Others						
Cost	**-**	**61,492**	**61,492**	-	85,735	85,735
Accumulated depreciation	**-**	**(14,255)**	**(14,255)**	-	(19,236)	(19,236)
Net book value	**-**	**47,237**	**47,237**	-	66,499	66,499
Total						
Cost	**367,427**	**1,839,136**	**2,206,563**	314,926	1,793,063	2,107,989
Accumulated depreciation	**(25,394)**	**(446,712)**	**(472,106)**	(10,247)	(602,943)	(613,190)
Net book value	**342,033**	**1,392,424**	**1,734,457**	304,679	1,190,120	1,494,799

8. PROPERTY AND EQUIPMENT

	Buildings US$ '000	Lands US$ '000	Office furniture and equipment US$ '000	Vehicles US$ '000	Others US$ '000	Total US$ '000
Cost:						
At 1 January 2014	201,449	97,159	179,893	9,262	112,879	600,642
Additions	45,078	573	35,969	2,838	34,283	118,741
Disposals	(19,544)	-	(4,127)	(1,001)	(67,424)	(92,096)
Foreign exchange translations	(11,696)	(5,039)	(8,339)	(539)	(6,262)	(31,875)
At 31 December 2014	215,287	92,693	203,396	10,560	73,476	595,412
Additions	15,728	3,190	25,061	3,158	40,557	87,694
Revaluation	-	72,275	-	-	-	72,275
Disposals	(25,256)	-	(2,488)	(1,342)	(1,616)	(30,702)
Foreign exchange translations	(22,222)	(11,864)	(15,994)	(742)	(11,526)	(62,348)
At 31 December 2015	**183,537**	**156,294**	**209,975**	**11,634**	**100,891**	**662,331**
Depreciation:						
At 1 January 2014	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
Provided during the year (note 18)	12,055	-	19,132	1,301	6,456	38,944
Relating to disposals	(11,345)	-	(3,107)	(855)	(882)	(16,189)
Foreign exchange translations	(8,085)	-	(8,341)	(486)	(4,209)	(21,121)
At 31 December 2015	**61,744**	-	**132,019**	**5,453**	**18,507**	**217,723**
Net book values:						
At 31 December 2015	**121,793**	**156,294**	**77,956**	**6,181**	**82,384**	**444,608**
At 31 December 2014	146,168	92,693	79,061	5,067	56,334	379,323

9. OTHER ASSETS

	2015 US$ '000	2014 US$ '000
Bills receivables	**148,108**	170,898
Goodwill and intangible assets (note 9 (a))	**102,284**	103,773
Collateral pending sale	**65,069**	75,951
Good faith qard	**13,799**	12,122
Deferred taxation	**19,331**	19,793
Prepayments	**60,594**	38,036
Others	**45,517**	41,681
	454,702	462,254
Provisions (note 20)	**(12,370)**	(13,416)
	442,332	448,838

9. OTHER ASSETS (Continued)

9 (a) Goodwill and intangible assets

	2015			2014		
	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000	Goodwill US$ '000	Intangible assets US$ '000	Total US$ '000
At 1 January	**82,177**	**21,596**	**103,773**	87,548	17,398	104,946
Additions	**-**	**22,021**	**22,021**	-	13,280	13,280
Amortisation charge for the year (note 18)	**-**	**(11,110)**	**(11,110)**	-	(7,689)	(7,689)
Impairment loss for the year	**(4,000)**	**-**	**(4,000)**	(4,000)	-	(4,000)
Foreign exchange translations	**(5,396)**	**(3,004)**	**(8,400)**	(1,371)	(1,393)	(2,764)
At 31 December	**72,781**	**29,503**	**102,284**	82,177	21,596	103,773

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:

	2015 US$ '000	2014 US$ '000
Al Baraka Turk Participation Bank	**17,522**	21,994
Al Barak Bank Egypt	**1,871**	2,047
Jordan Islamic Bank	**26,646**	26,646
Al Baraka Bank (Pakistan) Limited	**17,660**	18,408
Itqan Capital	**9,082**	13,082
	72,781	82,177

The recoverable amounts 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.

10. LONG TERM FINANCING

	2015 US$ '000	2014 US$ '000
Murabaha financing	**918,520**	452,519
Subordinated financing obtained by a subsidiary	**411,327**	203,150
Wakala	**167,361**	-
	1,497,208	655,669

Murabaha financing and wakala

During 2015, Al Al Baraka Turk Participation Bank (ATPB) obtained US$ 715 million murabaha financing in US$ and Euro, which has an annual Profit rate ranging from 1.59% to 2.64%, for more than one year. The murabaha financing which was obtained in 2013 matured in 2015 and was repaid.

During 2014, ATPB issued sukuk listed in Irish Stock Exchange for a tenure of 5 years with an expected profit rate of 6.25%, through its fully owned subsidiary Bereket Varlık Kiralama A.Ş., amounting to US$ 350 million. The sukuk subscriptions to an extent of not less than 51% will be utilised to purchase asset portfolio based on wakala contract, while the remaining portion to an extent of not more than 49% will be utilised as commodity murabaha. During the year, the Bank has voluntarily taken measures to manage the market risk of the sukuk holders with respect to the assets portfolio, therefore, the assets of US$ 178.5 million, representing 51% of the total sukuk subscriptions, has been recognised as part of the Group's assets and the corresponding sukuk subscriptions to the extent of these assets has been classified as long term financing under wakala.

10. LONG TERM FINANCING (Continued)

Subordinated financing obtained by a subsidiary

During 2015, ATPB obtained US$ 225 million subordinated financing with an annual profit rate of 10.5%, for a period of ten years. Further, included in subordinated financing US$ 200 million obtained by ATPB during 2013 with an annual profit rate of 7.75% for a period of 10 years. These subordinated financing are obtained in US$ and are considered part of tier II capital in the capital adequacy calculation of ATPB as per the banking regulations in the Republic of Turkey.

11. OTHER LIABILITIES

	2015	2014
	US$ '000	US$ '000
Payables	269,771	327,615
Cash margins	269,557	268,959
Managers' cheques	87,963	74,071
Other provisions (note 20) *	13,809	11,521
Current taxation **	84,581	72,606
Deferred taxation **	11,491	9,531
Accrued expenses	77,472	82,225
Charity fund	7,224	4,296
Others	40,576	21,876
	862,444	872,700

* 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)

	2015	2014
	US$ '000	US$ '000
Equity of investment accountholders *	14,313,084	13,912,511
Profit equalisation reserve (note 12.1)	10,037	13,045
Investment risk reserve (note 12.2)	179,238	198,559
Cumulative changes in fair value attributable to equity of investment accountholders - net (note 12.3)	12,240	15,677
	14,514,599	14,139,792

* Medium term Sukuk
This includes unsecured, sub-ordinated and privately placed unrestricted mudaraba sukuk amounting to US$ 16,708 thousand (2014: US$ 20,508 thousand) issued by Al Baraka Bank (Pakistan) Limited (ABPL) during 2014. The issuance of sukuk is intended to comply with regulatory requirements related to capital adequacy ratio of ABPL. The tenure of the sukuk is seven years maturing in 2021. The principal repayment, started after six months of the drawdown date, and is being made semi-annually on a straight line basis.

12.1 Profit equalisation reserve

The following shows the movement in profit equalisation reserve:

	2015	2014
	US$ '000	US$ '000
Balance at 1 January	13,045	12,126
Amount apportioned from income allocable to equity of investment accountholders	49	2,377
Amount used during the year	(1,229)	-
Foreign exchange translations	(1,828)	(1,458)
Balance at 31 December	10,037	13,045

12. EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH) (Continued)

12.2 Investment risk reserve

The following shows the movement in investment risk reserve:

	2015 US$ '000	2014 US$ '000
Balance at 1 January	198,559	110,424
Amount appropriated to provision (note 20)	(9,549)	(5,288)
Amount apportioned from income allocable to equity of investment accountholders	10,711	102,728
Foreign exchange translations	(20,483)	(9,305)
Balance at 31 December	179,238	198,559

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

	2015 US$ '000	2014 US$ '000
Balance at 1 January	15,677	8,676
Change in fair values during the year	(5,966)	13,738
Realised gain transferred to consolidated statement of income	(144)	(693)
Deferred taxation effect	935	(5,356)
Transfer to shareholders equity	1,738	(688)
	12,240	15,677
Attributable to investment in real estate	10,375	11,879
Attributable to equity-type instruments at fair value through equity	1,865	3,798
	12,240	15,677

13. OWNERS' EQUITY

	2015 US$ '000	2014 US$ '000
Share capital		
Authorised: 1,500,000,000 (2014: 1,500,000,000) ordinary shares of US$ 1 each	1,500,000	1,500,000

	2015 US$ '000	2014 US$ '000
Issued and fully paid up:		
At beginning of the year		
1,093,868,695 (2014: 1,048,290,833) shares of US$1 each	1,093,869	1,048,291
Issued during the year		
21,877,374 bonus shares (2014: 45,577,862) of US$1 each	21,877	45,578
At end of the year		
1,115,746,069 (2014: 1,093,868,695) shares of US$1 each	1,115,746	1,093,869

Proposed appropriations

At the Annual General Meeting held on 23 March 2015 (2014: 23 March 2014), the shareholders of the Group resolved to distribute US$ 32,816 thousand (2014: US$ 36,690 thousand) as cash dividends and US$ 21,877 thousand (2014: US$ 45,578 thousand) as bonus shares.

Treasury shares

	Number of shares ('000)	2015 US$ '000	2014 US$ '000
At 1 January	8,261	8,261	8,123
Purchase of treasury shares	304	304	548
Sale of treasury shares	(101)	(101)	(410)
At 31 December	8,464	8,464	8,261

The market value of the treasury shares is US$ 4,824 thousand (2014: US$ 6,650 thousand) and it represents 0.8% (2014: 0.8%) of the outstanding shares.

13. OWNERS' EQUITY (Continued)

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 2015

Names	**Nationality/ Incorporation**	**Number of shares**	**% holding**
Saleh Abdullah Kamel	Saudi	**335,956,420**	**30.11%**
Dallah AlBaraka Holding Company E.C.	Bahrain	**274,874,159**	**24.64%**
Altawfeek Company For Investment Funds	Cayman Island	**215,605,847**	**19.32%**
Abdulla AbdulAziz AlRajihi	Saudi	**78,381,966**	**7.03%**

At 31 December 2014

Names	Nationality/ Incorporation	Number 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%

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 2015

Categories:	**Number of shares**	**Number of shareholders**	**% of total outstanding shares**
Less than 1%	**85,681,614**	**1,119**	**7.68%**
1% up to less than 5%	**125,246,063**	**6**	**11.22%**
5% up to less than 10%	**78,381,966**	**1**	**7.03%**
10% up to less than 20%	**215,605,847**	**1**	**19.32%**
20% up to less than 50%	**610,830,579**	**2**	**54.75%**
	1,115,746,069	**1,129**	**100.00%**

At 31 December 2014

Categories:	**Number of shares**	**Number 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%

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 (BCCL).

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

13. OWNERS' EQUITY (Continued)

b. Statutory reserve

In accordance with the BCCL 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$ 16,274 thousand (2014: US$ 15,173 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, investment in real estate and land occupied by the Group (classified as property and equipment).

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	**2015** **US$ '000**	2014 US$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	**42,424**	23,964
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	**10,174**	8,173
Al Baraka Bank Egypt (ABE)	Egyptian Pound	**41,040**	28,717
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	**274,067**	180,354
Al Baraka Bank Limited (ABL)	South African Rand	**20,474**	12,137
Al Baraka Bank Sudan (ABS)	Sudanese Pound	**30,912**	29,337
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	**14,582**	8,994
Al Baraka Bank Syria (ABBS)	Syrian Pound	**28,275**	21,926
		461,948	313,602

e. Other reserves

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

f. Proposed Appropriations

	2015 **US$ '000**	2014 US$ '000
Cash dividend 2% (2014: 3%)	**22,315**	32,816
Bonus shares	**33,472**	21,877
	55,787	54,693

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 three bonus share for each 100 shares held (2014: one bonus share for each 50 shares held). This will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The proposed appropriations for the year 2014 was approved at the Annual General Meeting on 23 March 2015 and was effected in 2015 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

	2015 US$ '000	2014 US$ '000
Receivables (note 14.1)	1,050,895	1,035,030
Mudaraba and Musharaka financing (note 14.2)	101,177	95,859
Investments (note 14.3)	256,661	207,077
Ijarah Muntahia Bittamleek (note 14.4)	126,010	96,242
Others	731	3,359
	1,535,474	1,437,567
Net income from jointly financed contracts and investments	1,223,215	1,166,772
Gross income from self financed contracts and investments	312,259	270,795
	1,535,474	1,437,567

Gross income from self financed contracts and investments	312,259	270,795
Profit paid on wakala financing	(39,318)	(34,375)
Net income from self financed contracts and investments	272,941	236,420

14.1 Receivables

	2015 US$'000	2014 US$'000
Sales (Murabaha) receivables	1,034,312	1,019,486
Salam receivables	12,165	11,590
Istisna'a receivables	4,418	3,954
	1,050,895	1,035,030

14.2 Mudaraba and Musharaka financing

	2015 US$ '000	2014 US$ '000
Mudaraba financing	46,063	38,146
Musharaka financing	55,114	57,713
	101,177	95,859

14.3 Investments

	2015 US$ '000	2014 US$ '000
Equity-type instruments at fair value through equity	4,589	2,008
Debt-type instruments at amortised cost	247,630	200,107
Unrealised gain on equity and debt-type instruments at fair value through statement of income	145	495
Gain on sale of equity-type instruments at fair value through equity	1,509	1,489
Gain on sale of equity and debt-type instruments at fair value through statement of income	1,636	927
Rental income	1,832	1,652
Income (loss) from associates	652	(294)
(Loss) gain on sale of investment in real estate	(1,332)	693
	256,661	207,077

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

14.4 Ijarah Muntahia Bittamleek

	2015 US$ '000	2014 US$ '000
Income from Ijarah Muntahia Bittamleek	317,739	187,747
Depreciation on Ijarah Muntahia Bittamleek	(191,729)	(91,505)
	126,010	96,242

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.

16. OTHER FEES AND COMMISSION INCOME

	2015 US$ '000	2014 US$ '000
Banking fees and commissions	116,547	96,110
Letters of credit	33,743	40,760
Guarantees	41,883	41,081
Acceptances	8,340	9,193
	200,513	187,144

17. OTHER OPERATING INCOME

	2015 US$ '000	2014 US$ '000
Foreign exchange gain	18,267	30,070
Gain on sale of property and equipment	10,502	6,262
Others	6,025	5,081
	34,794	41,413

18. DEPRECIATION AND AMORTISATION

	2015 US$ '000	2014 US$ '000
Property and equipment depreciation (note 8)	38,944	37,886
Intangible assets amortisation (note 9 (a))	11,110	7,689
	50,054	45,575

19. OTHER OPERATING EXPENSES

	2015 US$ '000	2014 US$ '000
General and administration expenses	101,470	93,923
Professional and business expenses	26,740	25,401
Premises related expenses	58,680	55,153
	186,890	174,477

20. PROVISIONS AND IMPAIRMENT

2015	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	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
Provisions at 1 January	403,488	6,390	5,131	518	10,956	4,179	9,136	13,416	11,521	464,735
Charged during the year	85,905	4,026	1,032	85	1,269	736	1,878	1,708	6,940	103,579
Written back during the year	(29,771)	(1,494)	(338)	(131)	-	(204)	(3,381)	(1,395)	(12,612)	(49,326)
	56,134	2,532	694	(46)	1,269	532	(1,503)	313	(5,672)	54,253
	459,622	8,922	5,825	472	12,225	4,711	7,633	13,729	5,849	518,988
Written off during the year	(59,696)	(12)	(1)	-	-	(16)	(122)	(382)	(236)	(60,465)
Amount appropriated from investment risk reserve (note 12.2)	7,378	2,169	-	-	-	2	-	-	-	9,549
Foreign exchange translations/others - net	(28,035)	(847)	(357)	(62)	(963)	(460)	983	(977)	8,196	(22,522)
Provisions at 31 December	379,269	10,232	5,467	410	11,262	4,237	8,494	12,370	13,809	445,550

During the year, an impairment loss of US$ 4,118 thousand (2014: US$ 4,335 thousand) was charged against investments and goodwill.

2014	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	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
Provisions at 1 January	393,056	5,778	4,243	1,310	11,110	7,392	8,042	15,506	30,306	476,743
Charged during the year	76,622	2,675	1,823	1,358	232	870	1,690	1,911	2,073	89,254
Written back during the year	(41,369)	(1,569)	(832)	(2,075)	-	(4,244)	(790)	(1,803)	(19,744)	(72,426)
	35,253	1,106	991	(717)	232	(3,374)	900	108	(17,671)	16,828
	428,309	6,884	5,234	593	11,342	4,018	8,942	15,614	12,635	493,571
Written off during the year	(12,948)	-	-	-	(65)	-	-	-	(152)	(13,165)
Amount appropriated from investment risk reserve (note 12.2)	5,287	-	-	-	-	1	-	-	-	5,288
Foreign exchange translations/others - net	(17,160)	(494)	(103)	(75)	(321)	160	194	(2,198)	(962)	(20,959)
Provisions at 31 December	403,488	6,390	5,131	518	10,956	4,179	9,136	13,416	11,521	464,735

The provisions relate to the following geographical areas:

2015	Sales (Murabaha) receivables US$ '000 (note 4.1)	Ijarah receivables US$ '000 (note 4.2)	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
Middle East	233,083	2,294	-	-	11,262	244	7,461	4,090	13,607	272,041
North Africa	22,346	6,209	1,235	382	-	39	610	2,048	202	33,071
Europe	96,213	-	-	-	-	-	-	1,620	-	97,833
Others	27,627	1,729	4,232	28	-	3,954	423	4,612	-	42,605
Total	379,269	10,232	5,467	410	11,262	4,237	8,494	12,370	13,809	445,550
2014										
Middle East	233,703	-	-	-	10,956	242	5,647	4,148	11,390	266,086
North Africa	26,436	4,905	1,361	392	-	46	757	2,469	131	36,497
Europe	116,488	-	-	-	-	-	-	1,911	-	118,399
Others	26,861	1,485	3,770	126	-	3,891	2,732	4,888	-	43,753
Total	403,488	6,390	5,131	518	10,956	4,179	9,136	13,416	11,521	464,735

The fair value of collateral the Group holds relating to non-performing facilities as at 31 December 2015 amounts to US$ 335.5 million (2014: US$ 292.2 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.

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:

	2015	2014
Net income attributable to the equity shareholders of the parent for the year - US$ '000	162,741	151,731
Number of shares outstanding at the beginning of the year (in thousands)	1,107,485	1,085,608
Treasury shares effect (in thousands)	(139)	(128)
Bonus shares effect during the year (in thousands)*	-	21,877
Weighted average number of shares outstanding at the end of the year (in thousands)	1,107,346	1,107,357
Earnings per share - US cents	14.70	13.70

*The weighted average number of shares of the previous year has been adjusted on account of the bonus share issue made in 2014.

22. CASH AND CASH EQUIVALENTS

	2015 US$ '000	2014 US$ '000
Balances with central banks excluding mandatory reserve	741,179	1,634,778
Balances with other banks	789,692	670,208
Cash and cash in transit	761,818	430,135
	2,292,689	2,735,121

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$'000	2015 US$'000	2014 US$'000
Net income from jointly financed contracts and investments	2,244	-	124	2,368	2,574
Net income from self financed contracts and investments	277	53	-	330	976
Return on equity of investment accountholders	-	41	345	386	691
Other fees and commission income	776	-	-	776	855

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

	2015 US$'000	2014 US$'000
Short term benefits	6,014	5,846
Long term benefits	1,272	1,414

Director's remuneration accrued for the year ended 31 December 2015 amounted to USD 1.5 million (2014: USD 1.5 million).

23. RELATED PARTY TRANSACTIONS (Continued)

The 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	**2015 US$ '000**	2014 US$ '000
Assets:						
Receivables	10,157	-	522	-	**10,679**	8,794
Mudaraba and Musharaka financing	-	-	1,420	-	**1,420**	1,305
Investments	51,463	1,034	-	-	**52,497**	57,486
Ijarah Muntahia Bittamleek	-	-	740	-	**740**	933
Other assets	1,443	27	312	-	**1,782**	1,801
liabilities:						
Customer current and other accounts	6,676	3,089	1,006	73	**10,844**	14,878
Due to banks	888	3,374	-	-	**4,262**	15,101
Other liabilities	-	19,508	2	253	**19,763**	2,297
Equity of investment accountholders	8,845	9,846	10,616	66	**29,373**	34,578
Off-balance sheet equity of investment accountholders	14,687	8,567	642	-	**23,896**	22,860

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

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

Name of directors	Position	Nationality	2014 Number of shares	Transaction Number of shares	**2015* Number of shares**
Saleh Abdulla Kamel	Chairman	Saudi	598,853,510	-	**610,830,579**
Abdulla Ammar Saudi	Vice Chairman	Bahraini	586,462	-	**598,191**
Abdulla Saleh Kamel	Vice Chairman	Saudi	298,004	-	**303,964**
Fahad Abdulla AlRajhi	Board Member	Saudi	22,127,249	-	**22,569,793**
Mohydin Saleh Kamel	Board Member	Saudi	623,098	-	**635,559**
AbdulElah Sabbahi	Board Member	Saudi	198,818	-	**202,794**
Adnan Ahmed Yousif	Board Member (President & Chief Executive)	Bahraini	321	-	**327**
Abdulrahman Shehab	Executive Vice President, Head of Operations and Administration	Bahraini	119,909	-	**122,307**

* Includes the effect of the Bank's issuance of bonus shares at one bonus share for each 50 shares held as per the approval of the shareholders' at the Annual General Meeting on 23 March 2015.

24. COMMITMENTS AND CONTINGENCIES

	2015 US$ '000	2014 US$ '000
Letters of credit	**810,168**	877,685
Guarantees	**3,105,059**	3,639,789
Acceptances	**52,315**	142,917
Undrawn commitments	**654,138**	560,596
Others	**249**	198
	4,621,929	5,221,185

25. 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 Group'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.

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

	2015			2014		
Segment	**Assets US$ '000**	**Liabilities US$ '000**	**IAH US$ '000**	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Middle East	**10,589,649**	**2,659,913**	**6,984,027**	9,668,236	2,630,783	6,157,725
North Africa	**2,489,812**	**1,113,612**	**1,084,982**	2,448,620	1,023,181	1,106,558
Europe	**10,035,619**	**3,733,314**	**5,586,129**	9,665,187	3,127,066	5,801,091
Others	**1,503,121**	**502,180**	**859,461**	1,681,546	468,144	1,074,418
	24,618,201	**8,009,019**	**14,514,599**	23,463,589	7,249,174	14,139,792

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

	2015			2014		
Segment	**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
Middle East	**407,929**	**207,450**	**103,137**	337,724	144,880	90,292
North Africa	**101,996**	**48,886**	**42,101**	108,903	56,727	49,093
Europe	**407,121**	**184,264**	**124,478**	396,754	174,695	120,934
Others	**82,507**	**23,082**	**16,470**	74,181	19,900	14,448
	999,553	**463,682**	**286,186**	917,562	396,202	274,767

26. 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, concentration risk, market risk and other operational risk. Market risk includes profit rate risk, equity price risk and foreign exchange risk.

26. RISK MANAGEMENT (Continued)

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 below 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.

The maturity profile at 31 December 2015 was as follows:

	Up to 1 month US$ '000	1 to 3 months US$ '000	3 to 6 months US$ '000	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
Assets											
Cash and balances with banks	4,289,731	-	6,008	21,721	269,961	6,038	-	-	-	779,950	5,373,409
Receivables	1,429,128	1,325,093	1,665,527	2,134,547	3,445,455	1,484,743	455,435	18,028	1,096	-	11,959,052
Mudaraba and Musharaka financing	840,924	3,874	10,854	27,969	137,139	303,719	210,508	23,606	-	-	1,558,593
Investments	1,337,184	276,766	128,852	303,888	531,753	113,159	115,963	40,135	-	258,050	3,105,750
Ijarah Muntahia Bittamleek	58,860	55,649	59,230	143,850	474,625	305,365	231,333	392,699	12,846	-	1,734,457
Property and equipment	-	-	-	-	-	-	-	-	-	444,608	444,608
Other assets	52,631	43,376	14,526	53,855	37,814	44,519	956	2,051	-	192,604	442,332
Total assets	8,008,458	1,704,758	1,884,997	2,685,830	4,896,747	2,257,543	1,014,195	476,519	13,942	1,675,212	24,618,201
Liabilities											
Customer current and other accounts	4,841,099	-	-	-	-	-	-	-	-	-	4,841,099
Due to banks	428,917	141,867	63,309	83,077	38,000	-	-	53,098	-	-	808,268
Long term financing	-	2,009	29,172	192,200	525,997	373,531	374,299	-	-	-	1,497,208
Other liabilities	315,516	79,479	20,749	42,955	18,618	44,695	366	340,066	-	-	862,444
Total liabilities	5,585,532	223,355	113,230	318,232	582,615	418,226	374,665	393,164	-	-	8,009,019
Equity of investment accountholders	5,582,600	2,073,919	986,483	1,426,318	1,520,286	2,587,763	59,397	277,833	-	-	14,514,599
Total liabilities and equity of investment accountholders	11,168,132	2,297,274	1,099,713	1,744,550	2,102,901	3,005,989	434,062	670,997	-	-	22,523,618
Net liquidity gap	(3,159,674)	(592,516)	785,284	941,280	2,793,846	(748,446)	580,133	(194,478)	13,942	1,675,212	2,094,583
Cumulative net liquidity gap	(3,159,674)	(3,752,190)	(2,966,906)	(2,025,626)	768,220	19,774	599,907	405,429	419,371	2,094,583	
Off-balance sheet equity of investment accountholders	133,468	152,036	186,308	124,433	11,134	11,368	-	159,212	-	-	777,959

26. RISK MANAGEMENT (Continued)

a) Liquidity risk (Continued)

The 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	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
Assets											
Cash and balances with banks	4,371,143	15,487	-	-	11,000	216,561	10,000	-	-	387,071	5,011,262
Receivables	1,719,630	1,414,712	1,736,626	1,924,670	3,137,623	1,173,886	593,300	298,687	413	-	11,999,547
Mudaraba and Musharaka financing	813,313	6,548	11,881	24,084	152,218	289,848	232,383	19,511	-	-	1,549,786
Investments	1,026,923	279,545	124,702	264,839	426,803	156,910	45,993	38,939	391	214,989	2,580,034
Ijarah Muntahia Bittamleek	20,723	27,295	46,025	103,920	385,164	367,016	197,508	340,269	6,879	-	1,494,799
Property and equipment	-	-	-	-	-	-	-	-	-	379,323	379,323
Other assets	47,488	67,262	20,497	35,798	48,343	28,309	1,138	82,561	-	117,442	448,838
Total assets	7,999,220	1,810,849	1,939,731	2,353,311	4,161,151	2,232,530	1,080,322	779,967	7,683	1,098,825	23,463,589
Liabilities											
Customer current and other accounts	4,509,312	-	-	-	-	-	-	-	-	-	4,509,312
Due to banks	540,291	178,939	143,179	266,210	22,000	60,874	-	-	-	-	1,211,493
Long term financing	-	1,474	18,971	265,191	12,190	357,843	-	-	-	-	655,669
Other liabilities	326,805	61,728	129,487	23,250	48,363	29,420	209	253,438	-	-	872,700
Total liabilities	5,376,408	242,141	291,637	554,651	82,553	448,137	209	253,438	-	-	7,249,174
Equity of investment accountholders	5,865,872	1,687,304	1,063,450	1,244,228	1,410,274	2,275,489	5,479	587,696	-	-	14,139,792
Total liabilities and equity of investment accountholders	11,242,280	1,929,445	1,355,087	1,798,879	1,492,827	2,723,626	5,688	841,134	-	-	21,388,966
Net liquidity gap	(3,243,060)	(118,596)	584,644	554,432	2,668,324	(491,096)	1,074,634	(61,167)	7,683	1,098,825	2,074,623
Cumulative net liquidity gap	(3,243,060)	(3,361,656)	(2,777,012)	(2,222,580)	445,744	(45,352)	1,029,282	968,115	975,798	2,074,623	
Off-balance sheet equity of investment accountholders	77,681	185,480	193,279	168,590	38,056	368,256	339	166,335	-	-	1,198,016

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.

26. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

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.

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

	Maximum exposure	
	2015	2014
	US$ '000	US$ '000
Balances with other banks	**789,692**	670,208
Receivables	**11,959,052**	11,999,547
Mudaraba and Musharaka financing	**1,558,593**	1,549,786
Investments	**2,760,872**	2,257,023
Other assets	**195,054**	211,285
Total	**17,263,263**	16,687,849
Commitments and contingencies	**4,621,929**	5,221,185
	21,885,192	21,909,034

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 2015			
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	**11,067,995**	**788,840**	**497,595**	**12,354,430**
Mudaraba and Musharaka financing	**1,505,150**	**51,193**	**17,749**	**1,574,092**
Other assets	**195,303**	**2,149**	**9,972**	**207,424**
	12,768,448	**842,182**	**525,316**	**14,135,946**

	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

26. 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 2015			
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	**541,872**	**129,228**	**117,740**	**788,840**
Mudaraba and Musharaka financing	**44,786**	**3,593**	**2,814**	**51,193**
Other assets	**2,037**	**112**	**-**	**2,149**
	588,695	**132,933**	**120,554**	**842,182**

	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

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 tenure of the commercial papers are generally short in nature, they are not accepted as collateral for long–term facilities (i.e. the financing tenure should not exceed the commercial papers maturity tenure). 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 honor 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.

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.

26. RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

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.

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

	2015			2014		
	Assets US$ '000	**Liabilities US$ '000**	**IAH US$ '000**	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Manufacturing	**4,048,955**	**218,528**	**342,991**	4,345,866	159,368	270,664
Mining and quarrying	**106,609**	**4,054**	**36,328**	131,400	1,567	45,980
Agriculture	**124,537**	**11,471**	**9,003**	106,714	4,492	9,045
Construction and real estate	**2,826,010**	**30,049**	**23,667**	3,009,413	36,237	27,237
Financial	**3,091,392**	**2,463,290**	**1,406,834**	3,376,998	2,089,789	1,504,148
Trade	**1,686,693**	**247,035**	**254,479**	1,646,955	199,853	414,230
Personal and consumer finance	**2,507,063**	**3,571,598**	**10,646,130**	2,070,163	3,391,460	10,526,039
Government	**7,050,655**	**47,360**	**130,081**	6,157,519	53,453	152,124
Other Services	**3,176,287**	**1,415,634**	**1,665,086**	2,618,561	1,312,955	1,190,325
	24,618,201	**8,009,019**	**14,514,599**	23,463,589	7,249,174	14,139,792

26. RISK MANAGEMENT (Continued)

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$ 110,995 thousand (2014: US$ 108,022 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 102,810 thousand (2014: US$ 104,919 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 8,185 thousand (2014: US$ 3,103 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.

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

	2015		
Currency	Operational equivalent Long (Short) US$ '000	Strategic equivalent Long (Short) US$ '000	Total equivalent Long (Short) US$ '000
Turkish Lira	(55,951)	405,675	349,724
Jordanian Dinar	16,007	315,025	331,032
Egyptian Pound	(20,117)	141,138	121,021
Sudanese Pound	192	38,669	38,861
Algerian Dinar	-	117,166	117,166
Lebanese Pound	400	21,303	21,703
Pound Sterling	(2,155)	-	(2,155)
Tunisian Dinar	(48,380)	63,986	15,606
Euro	2,230	-	2,230
South African Rand	(509)	24,890	24,381
Pakistani Rupees	23,435	62,234	85,669
Syrian Pound	(27,516)	12,242	(15,274)
Others	109,877	-	109,877

26. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

	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)
Tunisia 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

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

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 judgment 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 2015

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	36,591	(15%)	(4,773)	10%	4,066
	Total owners' equity	209,602	(15%)	(27,339)	10%	23,289
Egyptian Pound	Net Income	30,441	(15%)	(3,971)	20%	7,610
	Total owners' equity	191,552	(15%)	(24,985)	20%	47,888
Turkish Lira	Net Income	124,478	(20%)	(20,746)	20%	31,120
	Total owners' equity	716,176	(20%)	(119,363)	20%	179,044
Sudanese Pound	Net Income	9,208	(15%)	(1,201)	25%	3,069
	Total owners' equity	51,059	(15%)	(6,660)	25%	17,020
S.African Rand	Net Income	4,285	(20%)	(714)	20%	1,071
	Total owners' equity	38,583	(20%)	(6,430)	20%	9,646
Syrian Pound	Net Income	21,978	(20%)	(3,663)	20%	5,495
	Total owners' equity	53,226	(20%)	(8,871)	20%	13,306
Pakistani Rupees	Net Income	2,977	(10%)	(271)	15%	525
	Total owners' equity	51,840	(10%)	(4,713)	15%	9,148
Tunisian Dinar	Net Income	5,509	(10%)	(501)	10%	612
	Total owners' equity	81,616	(10%)	(7,420)	10%	9,068

26. RISK MANAGEMENT (Continued)

d) Market risk (Continued)

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

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.

26. RISK MANAGEMENT (Continued)

e) Operational Risk (Continued)

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.

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.

27. 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$ 2,821 million (2014: US$ 2,438 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 47,095 thousand (2014: US$ 49,531 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.

28. EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 5 million (2014: US$ 1.6 million). This amount has been taken to charity.

29. 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

At 31 December 2015

(UNAUDITED)

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.

The Group's capital structure is primarily made of its paid-up capital, including the share premium and reserves. 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 as of:

	31 December 2015		
	CET 1 US$ '000	AT1 US$ '000	T2 US$ '000
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid up ordinary shares	1,115,746	-	-
Less: Treasury Shares	8,464	-	-
Legal / statutory reserves	124,585	-	-
Share premium	17,663	-	-
Retained earnings	326,677	-	-
Current net income	162,597	-	-
Unrealized gains and losses on available for sale financial instruments	(2,685)	-	-
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(461,948)	-	-
All other reserves	40,874	-	-
Unrealized gains and losses from fair valuing equities	145	-	-
Total CET1 capital before minority interest	1,315,190	-	-
Total minority interest in banking subsidiaries given recognition in CET1 capital	647,311	-	-
Total CET1 capital prior to regulatory adjustments	1,962,501	-	-
Less:			
Goodwill	72,781	-	-
Intangibles other than mortgage servicing rights	5,901	-	-
Deferred tax assets	6,716	-	-
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d)	1,877,103	-	-
Other Capital (AT1 & T 2)			
Instruments issued by banking subsidiaries to third parties		13,020	49,087
Assets revaluation reserve - property, plant, and equipment		-	41,214
General financing loss provision		-	13,809
Total Available AT1 & T2 Capital		13,020	104,110
Net Available Capital after regulatory adjustments before Applying Haircut		13,020	104,110
Net Available Capital after Applying Haircut	1,877,103	13,020	104,110
Total Tier 1		1,890,123	
Total Capital			1,994,233

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY (Continued)

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 2015	
	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Credit Risk	10,706,587	1,338,323
Market Risk	1,230,738	153,842
Operational Risk	1,766,624	220,828
	13,703,949	1,712,993

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 2015	
	Risk weighted assets US$ '000	Minimum capital requirements US$ '000
Islamic financing contracts		
Receivables	5,695,384	711,923
Mudaraba and Musharaka financing	825,187	103,148
Ijarah Muntahia Bittamleek	1,304,301	163,038
	7,824,872	978,109

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 2015
Total capital ratio	14.55%
Tier 1 capital ratio	13.79%

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 2015	
	Tier 1 capital ratio	Total capital ratio
Head Office	14%	14%
Banque Al Baraka D'Algerie	23%	24%
Al Baraka Islamic Bank *	14%	17%
Al Baraka Bank Tunis	24%	24%
Al Baraka Bank Egypt	20%	21%
Al Baraka Bank Lebanon	17%	18%
Jordan Islamic Bank	21%	21%
Al Baraka Turk Participation Bank	13%	16%
Al Baraka Bank Limited	26%	26%
Al Baraka Bank Sudan	15%	18%
Al Baraka Bank Syria	14%	14%

* These ratios represents the consolidated ratios and Al Baraka Pakistan has tier 1 capital ratio of 19.99% and total capital ratio of 25.17%.

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 2015 % holding
Bahraini	27.36
Saudi	42.75
Cayman Islands	19.32
Emirati	7.42
Kuwaiti	0.85
Others	2.29

2. RISK MANAGEMENT

The Group's risk management strategies have been effectively implemented and the objectives outlined at the beginning of year 2015 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.

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 2015
Short term assets to short term liabilities	88%
Liquid assets to total assets	24%

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.

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. However at the Group level the percentage of funding of self financed represent 60% and of IAH represent 40%.

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

	31 December 2015				
	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	5,938,532	5,886,066	6,020,520	5,915,792	11,959,052
Mudaraba and Musharaka financing	757,259	810,089	801,334	731,559	1,558,593
Investments	1,449,189	1,395,644	1,656,561	1,580,808	3,105,750
Ijarah Muntahia Bittamleek	964,240	915,745	770,217	737,357	1,734,457
Other assets	92,888	135,804	102,166	93,526	195,054
Unfunded Exposure					
Commitments and contingencies	4,621,929	4,817,190	-	-	4,621,929
	13,824,037		9,350,798		23,174,835

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

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 2015, broken down into significant areas by major types of credit exposure:

	Self financed					Financed by IAH					IAH & Self financed
	Middle East US$ '000	North Africa US$ '000	Europe US$ '000	Others US$ '000	Total US$ '000	Middle East US$ '000	North Africa US$ '000	Europe US$ '000	Others US$ '000	Total US$ '000	Total US$ '000
Receivables	1,584,480	423,047	3,720,276	210,729	5,938,533	2,894,012	334,525	2,519,665	272,318	6,020,519	11,959,052
Mudaraba and Musharaka financing	439,654	75,699	117,704	124,202	757,257	465,815	72,938	-	262,581	801,336	1,558,593
Investments	561,800	78,883	629,230	179,276	1,449,189	1,567,825	60,158	-	28,578	1,656,561	3,105,750
Ijarah Muntahia Bittamleek	356,525	268,553	323,476	15,686	964,240	548,091	191,676	1,096	29,354	770,217	1,734,457
Other Assets	54,918	1,398	3,001	33,571	92,888	67,020	1,353	3,581	30,212	102,166	195,054
	2,997,377	847,580	4,793,687	563,464	9,202,107	5,542,763	660,650	2,524,342	623,043	9,350,799	18,552,906

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 2015:

	Funded Exposures										Unfunded Exposures		Funded and Unfunded Exposures	
	Receivables		Mudaraba and Musharaka financing		Investments		Ijarah Muntahia Bittamleek		Other Assets		Commitments and contingencies		Total	
	Self	IAH	Self	IAH	Self	IAH	Self	IAH	Self	IAH	Self	IAH	Self	IAH
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Claims on sovereigns	485,943	716,746	-	324,867	1,298,093	1,359,493	20,034	-	-	-	5,348	-	1,809,418	2,401,106
Claims on investment firms	-	-	-	-	17,884	-	-	-	-	-	-	-	17,884	-
Claims on banks	67,354	204,032	-	180,946	12,711	91,611	-	-	-	-	65,845	-	145,910	476,589
Claims on corporates	4,014,232	3,084,737	-	122,670	3,408	1,843	615,949	307,423	-	-	3,975,562	-	8,609,151	3,516,673
Claims on retail	698,051	1,929,688	-	1,038	-	-	323,622	453,160	-	-	547,740	-	1,569,413	2,383,886
Past dues receivables	672,952	85,317	-	-	-	-	4,635	9,634	-	-	27,434	-	705,021	94,951
Equity investment	-	-	298,875	163,505	35,233	79,553	-	-	-	-	-	-	334,108	243,058
Investment in Funds	-	-	-	-	12,017	12,465	-	-	-	-	-	-	12,017	12,465
Specialized Lending	-	-	458,384	8,308	-	-	-	-	-	-	-	-	458,384	8,308
Other assets	-	-	-	-	69,843	111,596	-	-	92,888	102,166	-	-	162,731	213,762
Total	5,938,532	6,020,520	757,259	801,334	1,449,189	1,656,561	964,240	770,217	92,888	102,166	4,621,929	-	13,824,037	9,350,798

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.

2 RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

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 2015:

					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	1,226,697	1,224,638	2,059	-	-	-	-
Bank	865,836	861,872	-	3,964	-	-	3,964
Investment Firms	47,736	28,861	70	18,805	4,313	2,330	12,162
Corporates	8,265,182	7,177,130	710,153	377,899	137,297	99,928	140,674
Retail	3,730,495	3,475,947	129,900	124,648	22,694	21,628	80,326
	14,135,946	12,768,448	842,182	525,316	164,304	123,886	237,126

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 2015:

	Specific provisions						
	Opening balance US$ '000	Charged 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	3,533	-	(293)	-	-	(1,066)	2,174
Investment Firms	42,603	3,949	(4,027)	(15,769)	-	(728)	26,028
Corporates	292,602	81,013	(26,738)	(44,117)	1,218	(28,049)	275,929
Retail	114,476	11,677	(5,656)	(343)	8,331	(875)	127,610
	453,214	96,639	(36,714)	(60,229)	9,549	(30,718)	431,741

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 2015 US$ '000
Opening balance	11,521
Charged during the year	6,940
Write-back during the year	(12,612)
Write-offs during the year	(236)
Foreign exchange translations/ others	8,196
Balance at the end of the year	13,809

This represents collective there provisions against exposures which, although not specifically identified, have a greater risk of default than when originally granted.

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 2015		
	Past due and non performing Islamic financing contracts US$ '000	Specific provision US$ '000	General provision US$ '000
Middle East	281,487	258,434	13,607
North Africa	70,202	32,869	202
Europe	863,845	97,833	-
Others	151,964	42,605	-
	1,367,498	431,741	13,809

Table – 15. Renegotiated Islamic financing contracts (PD-1.3.23(j))

	31 December 2015 US$ '000
Renegotiated Islamic financing contracts	280,291

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. These facilities have been renegotiated mainly to enter, into new contracts with different tenor, profit or enhance the collaterals.

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.

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 2015 US$ '000
Gross positive fair value of contracts	18,357,852
Netting Benefits	-
Netted Current Credit Exposure	18,357,852
Collateral held:	
Cash	769,388
Others	5,970,666
Real Estate	12,972,324
	19,712,378

The utilisation of the collaterals will be on a customer by customer basis and will be limited to the customer's total exposure.

2 RISK MANAGEMENT (Continued)

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 2015	
	Equity position risk US$ '000	Foreign exchange risk US$ '000
Risk weighted exposure (RWE)	-	1,230,738
Capital requirements (12.5%)	-	153,842
Maximum value of RWE	-	1,236,288
Minimum value of RWE	-	1,114,825

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.

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.

2 RISK MANAGEMENT (Continued)

c) Market risk (Continued)

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 2015:

	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
Sukuk and similar items	2,760,872	2,639,804	1,661,875	1,098,997	21,154
Equity Investment	133,908	128,969	62,852	71,056	64,275
Managed funds	23,558	28,357	18,364	5,194	3,498
	2,918,338	2,797,130	1,743,091	1,175,247	88,927

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 2015 US$ '000
Cumulative realised gains arising from sales or liquidations in the reporting year	3,145
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	(2,685)

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		
	2015 US$ '000	2014 US$ '000	2013 US$ '000
Total Gross Income	**999,553**	917,562	909,484

	2015
Indicators of operational risk	
Average Gross income (US$ '000)	942,200
Multiplier	12.5
	11,777,496
Eligible Portion for the purpose of the calculation	15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US$ '000)	1,766,624

2 RISK MANAGEMENT (Continued)

d) Operation risk (Continued)

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 III (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 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

Operation 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.

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 2015 US$ '000
Directors remuneration	1,500
Executive Management	
Salary and other remuneration, including meeting allowance	5,919
Fees	124
Bonuses	796
Benefits-in-kind	1,368
	8,207
Shari'a Committee Members fee and remuneration	448
	10,155

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.

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.

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 2016 financial year. The AGM has approved the reappointment of the external auditor for the year 2015 on 23 March 2015 and the related regulatory approval were taken.

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS

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.

The Group invests its own funds separately or jointly with amount received from Equity of Investment Account Holders. These funds received are managed in accordance with Shari'a requirements and standard of prudence is applied in the context of managing the overall portfolios to enable the Group to exercise its responsibilities. The Group is authorised by Equity of Investment Accountholders to invest the funds on the basis of Mudaraba, Murabaha, Salam, Ijara transactions and other forms of contract in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. Those investment accounts are available for different type of customers and investors ranging from retail to coporate.

The composition, characteristics, diversification, and concentration of portfolios are monitored within appropriate risk limits and indicators detailed in the Group's credit risk, liquidity risk, and other risks policies of the group. The strategic objectives of the investments of the funds are:

a) Targeted returns;

b) Compliance with credit and Investment policy and overall business plan; and

c) Diversified portfolio.

Funds are invested in Shari'a compliant commercial or consumer financing as well as short, medium, and long term investments excluding strategic investments. A due diligence process is in place which is consistent with business and risk policy guidelines of the Group after deduction of mandatory reserves and making allowance for short-term liquidity requirements.

Under all the aforesaid arrangement the Group can commingle the IAH funds with its own funds (Self-Financed). Some of the assets right from inception is designated exclusively as Self Financed by the Group.

The Group's share of profit as a Mudarib for managing equity of IAH and their share of income is based on the terms and conditions of the related Mudarib agreements. These funds are invested in Islamic modes of financing and investments including murabaha, musharaka, mudaraba and ijara. There are no separate designations for portfolio managers, investment advisors and trustee. IAH accounts are managed at subsidiary levels by relevant departments.

Investors' share of income is calculated based on the income generated from joint investment accounts after deducting the expenses related to investment pool "mudarib share". Mudarib expenses include all expenses incurred by the Group, including specific provisions, but excluding staff cost and depreciation. The Group's "mudarib profit" is deducted from investors' share of income before distributing such income. In some cases, equity of IAH withdrawn before maturity are not entitled to any income and might be subject to charges. The practice varies for each subsidiary based on the business model, local market practices and prudential requirements for each subsidiary.

The basis applied by the Group in arriving at the investment account holders share of income varies for each subsidiary based on the business model, local market practices and prudential requirements for each subsidiary.

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 2015 US$ '000
IAH - Banks	333,556
IAH - Non-banks	13,979,528
Profit equalisation reserve (PER) - Banks	239
Profit equalisation reserve (PER) - Non-banks	9,798
Investment risk reserve (IRR) - Banks	4,274
Investment risk reserve (IRR) - Non-banks	174,964
Cumulative changes in fair value attributable to IAH	12,240
	14,514,599

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

Table – 22. Return on average IAH (PD-1.3.33 (d))

	2015 %
Return on average IAH Equity	1.8
Return on average IAH Assets	1.2

Table – 23. Ratio by type of IAH (PD-1.3.33 (g))

	31 December 2015 %
IAH - Banks	2
IAH - Non-banks	98

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.

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:

	31 December 2015 %
Receivables	79
Mudaraba and Musharaka financing	11
Ijarah Muntahia Bittamleek	10

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:

	31 December 2015 %
Sovereign	7
Bank	2
Investment Firms	10
Corporates	11
Retail	70

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.

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

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 2015		
	Opening actual allocation US$ '000	Movement US$ '000	Closing actual allocation US$ '000
Cash and balances with banks	5,158,309	(126,789)	5,031,520
Receivables	5,800,949	219,571	6,020,520
Mudaraba and Musharaka financing	542,524	258,810	801,334
Investments	1,536,577	119,984	1,656,561
Ijarah Muntahia Bittamleek	729,063	41,154	770,217
Other assets	314,897	(80,450)	234,447
	14,082,319	432,280	14,514,599

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 2015		
Type of Claims	RWA US$ '000	RWA for capital adequacy purposes US$ '000	Capital charges US$ '000
Claims on Sovereign	1,153,950	346,185	43,273
Claims on PSEs	17,697	5,309	664
Claims on Banks	364,221	109,266	13,658
Claims on Corporates	5,627,942	1,688,382	211,048
Regulatory Retail Portfolio	827,336	248,201	31,025
Mortgage	1,121,242	336,373	42,047
Past due facilities	114,340	34,302	4,288
Investment in securities	270,675	81,203	10,150
Holding of Real Estates	252,384	75,715	9,464
Other Assets	368,430	110,529	13,816
	10,118,217	3,035,465	379,433

4. EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

Table – 28. Historical data over past five years related to IAH (PD-1.3.41 (b),(c),(d),(e),(f) & (g))

	2015 US$ '000	2014 US$ '000	2013 US$ '000	2012 US$ '000	2011 US$ '000
The profit available for shareholders before smoothing	**196,848**	147,945	118,939	144,012	98,856
The profit available for IAH before smoothing	**1,026,367**	1,018,827	912,092	874,470	796,826
The profit available for sharing between IAH and shareholders before smoothing	**1,223,215**	1,166,772	1,031,031	1,018,482	895,682
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**6%**	7%	6%	6%	6%
The profit available for shareholders after smoothing	**196,848**	147,945	118,939	144,012	98,856
The profit available for IAH after smoothing	**1,029,375**	1,017,908	909,410	873,060	791,459
The profit available for sharing between IAH and shareholders after smoothing	**1,226,223**	1,165,853	1,028,349	1,017,072	890,315
The percentage of profit available for shareholders	**1%**	1%	1%	1%	1%
The percentage of profit available for IAH	**6%**	7%	6%	6%	6%
Profit equalisation reserve					
Balance at 1 January	**13,045**	12,126	9,444	8,034	2,667
Amount apportioned from income allocable to equity of IAH	**49**	2,377	2,643	1,842	5,558
Amount used during the year	**(1,229)**	-	-	-	-
Foreign exchange translations	**(1,828)**	(1,458)	39	(432)	(191)
Balance at 31 December	**10,037**	13,045	12,126	9,444	8,034
Investment risk reserve					
Balance at 1 January	**198,559**	110,424	98,429	93,653	87,004
Amount appropriated to provision	**(9,549)**	(5,288)	(21,807)	(3,946)	(23,783)
Amount apportioned from income allocable to equity of IAH	**10,711**	102,728	48,634	4,895	44,712
Foreign exchange translations	**(20,483)**	(9,305)	(14,832)	3,827	(14,280)
Balance at 31 December	**179,238**	198,559	110,424	98,429	93,653

The market benchmark rates for Equity of IAH for the Group differ at the subsidiaries' level based on local market environments.

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.

The range and measures of risks facing off balance sheet IAH are similar to those risks and measures for the relevant type of investment as disclosed by the Group.

5. OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS (Continued)

Table – 29. 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 Sharia'a - compliant contract to total financing as of:

	31 December 2015 %
Receivables	33
Mudaraba and Musharaka financing	51
Ijarah Muntahia Bittamleek	16

Table – 30. 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 2015 %
Sovereign	8
Investment Firms	10
Bank	20
Corporates	15
Retail	47

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 and local market benchmark return are analysed at the local level.

Table – 31. Historical return on off-balance sheet equity of IAH over the past five years (PD-1.3.35 (b))

	2015 US$ '000	2014 US$ '000	2013 US$ '000	2012 US$ '000	2011 US$ '000
Return on off-balance sheet equity of IAH net of expenses	30,426	28,201	22,512	26,554	14,621

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