

Al Baraka Banking Group B.S.C.

**Additional Public Disclosures
(Unaudited)**

Al Baraka Banking Group B.S.C.

ADDITIONAL PUBLIC DISCLOSURES

30 June 2016 (Unaudited)

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1 INTRODUCTION

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, Bahrain Bay, 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 following are the principal subsidiaries of the Bank, which are consolidated for all financial information presented unless otherwise stated:

Bank	Ownership for 2016	Ownership for 2015	Year of incorporation	Country of incorporation	No. of branches/offices at 2016
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	157
Al Baraka Bank Tunis (ABT)	78.40%	78.40%	1983	Tunisia	28
Al Baraka Bank Egypt (ABE)	73.68%	73.68%	1980	Egypt	29
Al Baraka Bank Lebanon (ABBL)	98.94%	98.94%	1991	Lebanon	8
Jordan Islamic Bank (JIB)	66.01%	66.01%	1978	Jordan	94
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 following are the subsidiaries held indirectly through the principal subsidiaries of the Bank:

Company/ Bank	Subsidiary held through	Effective Ownership for 2016	Effective Ownership for 2015	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	54.67%	54.67%	2007	Saudi Arabia
Al-Omariya School Company	JIB	62.31%	62.31%	1987	Jordan
Al-Samaha Real Estate Company	JIB	62.97%	62.97%	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

The public disclosures under this section have been prepared in accordance with the Central Bank of Bahrain ("CBB") requirements outlined in its Public Disclosure Module ("PD"), Section PD-3: Quarterly Disclosure requirements, CBB Rule Book, Volume II for Islamic Banks.

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2 FINANCIAL HIGHLIGHTS

The following summarises the basic quantitative indicators of financial performance of the Group:

	Jun	<i>Dec</i>	<i>Dec</i>	<i>Dec</i>	<i>Dec</i>
EARNINGS (US\$ Millions)	2016	2015	2014	2013	2012
Total Operating Income	538	1,000	918	909	880
Net Operating Income	236	464	396	420	422
Net Income	143	286	275	258	235
Net Income Attributable to Equity Holders of the Parent	81	163	152	145	133
Basic and diluted earnings per share - US cents**	7.14	14.70	13.98	13.31	12.79
FINANCIAL POSITION (US\$ Millions)					
Total Assets	25,044	24,618	23,464	20,968	19,055
Total Financing and Investments	19,082	18,358	17,624	15,355	14,319
Total Customer Accounts	20,376	20,164	19,861	17,744	16,398
Total Owners' Equity	2,140	2,095	2,075	1,983	1,968
Equity Attributable to Parent's Shareholders	1,388	1,356	1,338	1,299	1,294
CAPITAL (US\$ Millions)					
Authorised	1,500	1,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	1,149.2	1,115.7	1,093.9	1,048.3	1,014.5
PROFITABILITY RATIOS					
Return on Average Owner's Equity	13.5%	13.7%	13.6%	13.1%	12.5%
Return on Average Parent's Shareholders Equity *	11.8%	12.1%	11.5%	11.2%	10.7%
Return on Average Assets	1.2%	1.2%	1.2%	1.3%	1.3%
Operating Expenses to Operating Income	56.1%	53.6%	56.9%	53.8%	52.1%
FINANCIAL POSITION RATIOS					
Owner's Equity to Total Assets	8.5%	8.5%	8.8%	9.5%	10.3%
Total Financing and Investments as a Multiple of Equity (times)	8.9	8.8	8.5	7.7	7.3
Liquid Assets to Total Assets	22%	24%	25%	27%	25%
Net Book Value per Share (US\$)**	1.22	1.21	1.17	1.17	1.09
OTHER INFORMATION					
Total number of employees	11,642	11,458	10,853	9,891	9,398
Total number of branches	611	587	549	479	425

* Return based on parent's share of income and equity.

** Adjusted for treasury and bonus shares

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3 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 is 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:

	<i>30 June 2016</i>		
	<i>CET 1</i>	<i>AT1</i>	<i>T2</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Tier 1 Capital			
Common Equity Tier 1 (CET1)			
Issued and fully paid up ordinary shares	1,149,218	-	-
Less: Treasury Shares	8,916	-	-
Legal / statutory reserves	124,584	-	-
Share premium	18,519	-	-
Retained earnings	429,574	-	-
Current interim cumulative net income / losses	81,288	-	-
unrealized gains and losses on available for sale financial instruments	(2,943)	-	-
gains and losses resulting from converting foreign currency subsidiaries to the parent currency	(488,300)	-	-
all other reserves	44,034	-	-
unrealized gains and losses from fair valuing equities	99	-	-
Total CET1 capital before minority interest	1,347,157	-	-
Total minority interest in banking subsidiaries given recognition in CET1 capital	603,175	-	-
Total CET1 capital prior to regulatory adjustments	1,950,332	-	-

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3 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (continued)

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

	<i>30 June 2016</i>		
	<i>CET 1</i>	<i>AT1</i>	<i>T2</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Less:			
Goodwill	72,978	-	-
Intangibles other than mortgage servicing rights	10,627	-	-
Deferred tax assets	22,852	-	-
Total Common Equity Tier 1 capital after the regulatory			
adjustments above (CET1 d)	1,843,875	-	-
Other Capital (AT1 & T 2)			
Instruments issued by banking subsidiaries to third parties		26,976	61,478
Assets revaluation reserve - property, plant, and equipment		-	41,229
General financing loss provision		-	50,255
Total Available AT1 & T2 Capital		26,976	152,962
Net Available Capital after regulatory adjustments before Applying Haircut		26,976	152,962
Net Available Capital after Applying Haircut	1,843,875	26,976	152,962
Total Tier 1		1,870,851	
Total Capital			2,023,814

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:

	<i>30 June 2016</i>	
	<i>Risk</i>	<i>Minimum</i>
	<i>weighted</i>	<i>capital</i>
	<i>assets</i>	<i>requirements</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Credit Risk	10,206,338	1,275,792
Market Risk	1,382,975	172,872
Operational Risk	1,766,624	220,828
	13,355,937	1,669,492

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:

	<i>30 June 2016</i>	
	<i>Risk</i>	<i>Minimum</i>
	<i>weighted</i>	<i>capital</i>
	<i>assets</i>	<i>requirements</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<u>Islamic financing contracts</u>		
Receivables	6,431,943	803,993
Mudaraba and Musharaka financing	535,325	66,916
Ijarah Muntahia Bittamleek	946,832	118,354
	7,914,100	989,263

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3 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (continued)

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

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

	30 June 2016
Total capital	15.15%
Total Tier 1 capital	14.01%

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:

	30 June 2016	
	Total Tier 1 capital ratio	Total capital ratio
Head Office	18.98%	18.98%
Banque Al Baraka D'Algerie	19.05%	19.91%
Al Baraka Islamic Bank *	14.15%	16.96%
Al Baraka Bank Tunis	29.65%	58.06%
Al Baraka Bank Egypt	20.61%	21.63%
Al Baraka Bank Lebanon	15.72%	15.72%
Jordan Islamic Bank	24.73%	24.73%
Al Baraka Turk Participation Bank	10.53%	13.63%
Al Baraka Bank Limited	25.23%	26.07%
Al Baraka Bank Sudan	16.07%	17.77%
Al Baraka Bank Syria	18.58%	18.58%

* These ratios represent the consolidated ratios and Al Baraka Pakistan has Tier 1 capital ratio of 18.06% and Total Capital ratio of 22.51%.

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4 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The management committee and 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. These risks and the processes to mitigate these risks have not significantly altered from the year end.

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.

Table – 6. Liquidity Ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

	30 June 2016
Short term assets to short term liabilities	89%
Liquid assets to total assets	22%

Table – 7. Residual Contractual Maturity Breakdown (PD-1.3.23(g), PD-1.3.24(a) & PD-1.3.38)

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

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4 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

Table – 7. Residual Contractual Maturity Breakdown (PD-1.3.23(g), PD-1.3.24(a) & PD-1.3.38) (continued)

The consolidated maturity profile as at 30 June 2016 is as follows:

	<i>Up to 1 month US\$ '000</i>	<i>1 to 3 months US\$ '000</i>	<i>3 to 6 months US\$ '000</i>	<i>6 months to 1 year US\$ '000</i>	<i>1 to 3 years US\$ '000</i>	<i>3 to 5 years US\$ '000</i>	<i>5 to 10 years US\$ '000</i>	<i>10 to 20 years US\$ '000</i>	<i>20 years and above US\$ '000</i>	<i>Undated US\$ '000</i>	<i>Total US\$ '000</i>
ASSETS											
Cash and balances with banks	4,169,309	6,237	22,427	29,500	293,062	6,280	-	-	-	474,308	5,001,123
Receivables	1,722,238	1,327,745	1,635,739	2,289,915	2,944,641	1,834,193	540,565	135,238	1,329	-	12,431,603
Mudaraba and Musharaka financing	949,798	10,041	14,612	19,596	163,087	308,213	217,198	20,949	-	-	1,703,494
Investments	1,309,005	122,794	303,474	457,268	437,636	100,065	144,805	38,175	-	250,512	3,163,734
Ijarah Muntahia Bittamleek	21,529	33,427	72,135	129,933	444,909	322,446	368,651	375,671	14,557	-	1,783,258
Property and equipment	-	-	-	-	-	-	-	-	-	434,066	434,066
Other assets	89,243	19,529	14,597	103,227	31,034	31,560	5,089	2,008	-	230,787	527,074
Total assets	8,261,122	1,519,773	2,062,984	3,029,439	4,314,369	2,602,757	1,276,308	572,041	15,886	1,389,673	25,044,352
LIABILITIES											
Customer current and other accounts	4,994,795	-	-	-	-	-	-	-	-	-	4,994,795
Due to banks	510,535	96,050	164,926	31,140	43,675	-	-	89,076	-	-	935,402
Long term financing	-	195,246	1,500	267,135	325,628	381,916	372,969	-	-	-	1,544,394
Other liabilities	268,905	38,781	39,556	101,836	25,056	55,009	361	454,257	-	-	983,761
Total liabilities	5,774,235	330,077	205,982	400,111	394,359	436,925	373,330	543,333	-	-	8,458,352
Equity of investment accountholders	5,671,910	1,910,770	934,794	1,485,817	1,466,921	2,704,431	94,126	176,997	-	-	14,445,766
Total liabilities and equity of investment accountholders	11,446,145	2,240,847	1,140,776	1,885,928	1,861,280	3,141,356	467,456	720,330	-	-	22,904,118
Net liquidity gap	(3,185,023)	(721,074)	922,208	1,143,511	2,453,089	(538,599)	808,852	(148,289)	15,886	1,389,673	2,140,234
Cumulative net liquidity gap	(3,185,023)	(3,906,097)	(2,983,889)	(1,840,378)	612,711	74,112	882,964	734,675	750,561	2,140,234	
Off-balance sheet equity of investment accountholders	79,472	136,302	141,774	149,031	54,633	65,475	199	199,255	-	-	826,141

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4 RISK MANAGEMENT (continued)

b) Credit risk

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

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

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

	30 June 2016				
	Self financed		Financed by IAH		Total
	Total gross credit exposure US\$ '000	*Average gross credit exposure over the period US\$ '000	Total gross credit exposure US\$ '000	*Average gross credit exposure over the period US\$ '000	Total gross credit exposure self financed and financed by IAH US\$ '000
<u>Funded Exposure</u>					
Receivables	3,395,742	4,859,373	9,035,861	7,553,295	12,431,603
Mudaraba and Musharaka financing	812,853	825,866	890,641	895,891	1,703,494
Investments	1,507,562	1,465,932	1,656,172	1,502,188	3,163,734
Ijarah Muntahia Bittamleek	740,500	856,865	1,042,758	905,792	1,783,258
Other assets	126,027	124,702	130,668	102,391	256,695
<u>Unfunded Exposure</u>					
Commitments and contingencies	5,224,323	5,263,602	-	-	5,224,323
	11,807,007		12,756,100		24,563,107

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

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4 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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

The following table summarises the geographic distribution of gross funded exposure as of 30 June 2016, 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	773,245	358,485	2,172,152	91,860	3,395,742	3,863,714	383,094	4,420,997	368,056	9,035,861	12,431,603
Mudaraba and Musharaka financing	500,564	118,483	127,109	66,697	812,853	552,497	11	-	338,133	890,641	1,703,494
Investments	605,560	49,244	684,249	168,509	1,507,562	1,496,760	81,031	-	78,381	1,656,172	3,163,734
Ijarah Muntahia Bittamleek	168,751	266,416	305,333	-	740,500	802,016	182,108	12,581	46,053	1,042,758	1,783,258
Other Assets	59,358	14,011	7,470	45,188	126,027	77,633	10,202	8,560	34,273	130,668	256,695
	2,107,478	806,639	3,296,313	372,254	6,582,684	6,792,620	656,446	4,442,138	864,896	12,756,100	19,338,784

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4 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 30 June 2016:

	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	249,215	897,667	98,187	311,712	1,290,357	1,271,141	19,422	-	-	-	68,305	-	1,725,486	2,480,520
Claims on International Organizations	-	-	-	-	1,175	4,926	-	-	-	-	-	-	1,175	4,926
Claims on PSEs	-	-	-	-	620	-	-	-	-	-	-	-	620	-
Claims on MDBs	-	-	32	-	-	-	-	-	-	-	391	-	423	-
Claims on banks	78,353	371,981	496,484	(46,720)	36,732	81,232	4,151	10,451	-	-	582,089	-	1,197,809	416,944
Claims on corporates	1,713,752	3,378,518	164,174	384,978	35,870	78,069	366,732	329,819	-	-	3,187,683	-	5,468,211	4,171,384
Claims on investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on retail	698,965	2,240,373	-	1,453	-	-	56,973	19,747	-	-	902,219	-	1,658,157	2,261,573
Mortgage	589,439	2,025,768	-	-	-	-	282,980	665,705	-	-	452,487	-	1,324,906	2,691,473
Past due receivables	66,018	111,782	554	2,758	-	-	10,242	17,036	-	-	999	-	77,813	131,576
Equity investment	-	-	-	-	72,329	68,535	-	-	-	-	-	-	72,329	68,535
Investment in funds	-	-	-	-	9,660	8,025	-	-	-	-	-	-	9,660	8,025
Specialized lending	-	-	53,422	205,908	-	-	-	-	-	-	30,150	-	83,572	205,908
Other assets	-	9,772	-	30,552	60,819	144,244	-	-	126,027	130,668	-	-	186,846	315,236
	3,395,742	9,035,861	812,853	890,641	1,507,562	1,656,172	740,500	1,042,758	126,027	130,668	5,224,323	-	11,807,007	12,756,100

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

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.

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4 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 30 June 2016:

	Total US\$ '000	Neither past due nor non performing US\$ '000	Past due but performing US\$ '000	Non performing Islamic financing contracts US\$ '000	Aging of non performing Islamic financing contracts		
					90 days to 1 year US\$ '000	1 year to 3 years US\$ '000	Over 3 years US\$ '000
Sovereign	1,107,062	1,106,484	578	-	-	-	-
Bank	1,203,639	1,197,653	2,362	3,624	-	-	3,624
Investment Firms	22,380	904	2,565	18,911	6,938	6,680	5,293
Corporates	8,683,660	7,576,303	635,577	471,780	181,584	164,188	126,008
Retail	3,817,342	3,577,590	96,775	142,977	32,388	22,946	87,643
	14,834,083	13,458,934	737,857	637,292	220,910	193,814	222,568

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 30 June 2016:

	Specific provisions						Balance at the end of the period US\$ '000
	Opening balance US\$ '000	Charged during the period US\$ '000	Write-back during the period US\$ '000	Write-offs during the period US\$ '000	Appropriation from IAH during the period US\$ '000	Foreign exchange translations/ others - net US\$ '000	
Bank	2,174	-	(27)	-	-	(745)	1,402
Investment Firms	26,028	250	(447)	(465)	-	(351)	25,015
Corporates	248,973	45,546	(11,798)	(6,936)	(7,117)	(3,679)	264,989
Retail	115,144	2,939	(2,267)	(239)	6,646	(1,048)	121,175
	392,319	48,735	(14,539)	(7,640)	(471)	(5,823)	412,581

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4 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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 period ended:

	<i>30 June 2016 US\$ '000</i>
Opening balance	53,234
Charged during the period	3,401
Write-back during the period	(1,028)
Write-offs during the period	(168)
Foreign exchange translations/ others	(5,184)
	<hr/>
Balance at the end of the period	<u>50,255</u>

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

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:

	<i>30 June 2016</i>		
	<i>Past due and non performing Islamic financing contracts US\$ '000</i>	<i>Specific provision US\$ '000</i>	<i>General provision US\$ '000</i>
Middle East	277,007	208,293	45,483
North Africa	125,776	31,325	1,824
Europe	867,334	131,843	-
Others	105,032	41,120	2,948
	<hr/>	<hr/>	<hr/>
	<u>1,375,149</u>	<u>412,581</u>	<u>50,255</u>

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4 RISK MANAGEMENT (continued)

b) Credit Risk (continued)

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

	<i>30 June 2016 US\$ '000</i>
Renegotiated Islamic financing contracts	<u>193,211</u>

There is no significant impact of the renegotiated Islamic financing contracts on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities is immaterial.

Others (PD-1.3.23(k), (l), PD-1.3.25(b) & (c))

The Group has no significant obligations with respect to recourse transaction.

The Group has not imposed any material penalties on customers for defaults.

The Group does not make use of eligible collaterals and guarantees in its credit risk analysis.

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4 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Table - 16. Counterparty Credit (PD-1.3.26 (b))

The following table summarises the counterparty credit risk exposure covered by collateral after the application of haircuts as of:

	30 June 2016 US\$ '000
Gross positive fair value of contracts	19,082,089
Netting Benefits	-
Netted Current Credit Exposure	<u>19,082,089</u>
Collateral held:	
Cash	769,388
Others	5,970,666
Real Estate	12,972,324
	<u>19,712,378</u>

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

c) Market risk

Market risk includes profit rate risk, displaced commercial risk, equity price risk and foreign exchange rate risk. The Group has 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:

	30 June 2016	
	Equity position risk US\$ '000	Foreign exchange risk US\$ '000
Risk weighted exposure (RWE)	-	1,382,975
Capital requirements (12.5%)	-	<u>172,872</u>
Maximum value of RWE	-	<u>1,409,500</u>
Minimum value of RWE	-	<u>1,382,975</u>

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4 RISK MANAGEMENT (continued)

c) Market risk (continued)

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 sectorial concentration limits outlined by the Group and/or their local requirement in this respect. Since trading securities in the trading book would be under marked-to-market requirement, the Risk Manager at the subsidiary level should immediately bring to the Credit and Risk Management at the Group as well as the subsidiary's asset/liability committee any volatility of position's value that is 15% or higher than the subsidiary's eligible capital to decide upon the appropriate course of action.

Table – 18. Equity Position Risk in Banking Book (PD-1.3.31 (b) (c) & (f))

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 30 June 2016:

	Total gross exposure US\$ '000	Average gross exposure over the period US\$ '000	Publicly held US\$ '000	Privately held US\$ '000	Capital requirement US\$ '000
Sukuk and similar items	2,806,393	2,673,820	1,661,876	1,098,997	552,797
Equity Investment	135,747	131,714	62,851	71,056	16,968
Managed funds	28,433	28,357	18,364	5,194	3,554
	2,970,573	2,833,891	1,743,091	1,175,247	573,320

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4 RISK MANAGEMENT (continued)

c) Market risk (continued)

Table – 19. Equity gains or losses in banking book (PD-1.3.31 (d) and (e))

The following table summarises the cumulative realised and unrealised gains or losses during the period ended:

	30 June 2016 US\$ '000
Cumulative realised gains arising from sales or liquidations in the reporting period	279
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	1,762

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.

Table – 20. Foreign currency translation risk (PD-1.3.42)

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

	30 June 2016		
	Operationa equivalent Long (short) US\$ '000	Strategic equivalent Long (short) US\$ '000	Total equivalent Long (short) US\$ '000
Currency			
Turkish Lira	10,190	434,190	444,380
Jordanian Dinar	9,224	321,853	331,077
Egyptian Pound	(20,493)	143,266	122,773
Sudanese Pound	2,877	43,031	45,908
Algerian Dinar	-	102,724	102,724
Lebanese Pound	5,827	20,424	26,251
Pound Sterling	853	-	853
Tunisian Dinar	400	58,178	58,578
Euro	13,897	-	13,897
South African Rand	(207)	26,436	26,229
Pakistani Rupees	(16,923)	62,234	45,311
Syrian Pound	3,122	12,143	15,265
Others	136,398	-	136,398

Foreign currency risk sensitivity analysis

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

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4 RISK MANAGEMENT (continued)

c) Market risk (continued)

Table – 21. Foreign currency risk sensitivity analysis (PD-1.3.42)

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 equity.

At 30 June 2016

Currency	Particular	Exposures in US\$ '000	Maximum expected decrease %	Change in net income and equity US\$ '000	Maximum expected increase %	Change in net income and equity US\$ '000
Algerian Dinar	Net Income	13,680	-15%	(1,784)	10%	1,520
	Total Equity	183,767	-15%	(23,970)	10%	20,419
Egyptian Pound	Net Income	25,727	-25%	(5,145)	15%	4,540
	Total Equity	194,439	-25%	(38,888)	15%	34,313
Turkish Lira	Net Income	50,935	-25%	(10,187)	20%	12,734
	Total Equity	766,516	-25%	(153,303)	20%	191,629
Sudanese Pound	Net Income	10,033	-25%	(2,007)	15%	1,771
	Total Equity	56,818	-25%	(11,364)	15%	10,027
S.African Rand	Net Income	1,318	-25%	(264)	20%	330
	Total Equity	40,980	-25%	(8,196)	20%	10,245
Syrian Pound	Net Income	15,189	-25%	(3,038)	20%	3,797
	Total Equity	52,797	-25%	(10,559)	20%	13,199
Pakistani Rupees	Net Loss	(1,345)	-10%	122	15%	(237)
	Total Equity	50,212	-10%	(4,565)	15%	8,861

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4 RISK MANAGEMENT (continued)

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 - 22. 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	2014	2013
	US\$ '000	US\$ '000	US\$ '000
Total Gross Income	999,553	917,562	909,484
			June
			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

The Bank has no material legal contingencies including pending legal action.

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5 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES

The Group is exposed to some of the price risk on assets funded by IAH. The CBB requires the Group to maintain capital to cover the price risk arising from 30% of assets funded by IAH on a pro-rata basis. IAH funds are invested and managed in accordance with Shari'a requirements.

Table – 23. Equity of IAH (PD-1.3.33 (a), (b) & (c))

The following table summarises the breakdown of IAH and return on IAH as of:

	<i>30 June 2016 US\$ '000</i>
IAH - Banks	263,448
IAH - Non-banks	13,963,021
Profit equalisation reserve (PER) - Banks	170
Profit equalisation reserve (PER) - Non-banks	8,890
Investment risk reserve (IRR) - Banks	3,795
Investment risk reserve (IRR) - Non-banks	196,436
Cumulative changes in fair value attributable to IAH	10,006
	<u>14,445,766</u>

Table – 24. Return on average IAH (PD-1.3.33 (d))

	<i>30 June 2016 %</i>
Return on average IAH Equity	1.9
Return on average IAH Assets	1.2

Table – 25. Ratio by type of IAH (PD-1.3.33 (g))

	<i>30 June 2016 %</i>
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 – 26. 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:

	<i>30 June 2016 %</i>
Receivables	63
Mudaraba and Musharaka financing	6
Ijarah Muntahia Bittamleek	7

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5 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES (continued)

Table – 27. 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:

	30 June 2016 %
Sovereign	7
Bank	2
Corporates	19
Retail	72

Table - 28. Movement in Profit Equalisation Reserve and Investment Risk Reserve (PD-1.3.33 (o), (p))

The following table summarises the movement on profit equalisation reserve (PER) and utilization and computation of PER during the six months period ended 30 June:

Movement in profit equalisation reserve

	30 June 2016 US\$ '000
Balance at 1 January	10,037
Amount apportioned from income allocable to equity of investment accountholders	76
Foreign exchange translations investment accountholders	(1,053)
Balance at 30 June	<u><u>9,060</u></u>

The following table summarises the movement on investment risk reserve (IRR) and utilization and computation of IRR during the six months period ended 30 June:

Movement in investment risk reserve

	30 June 2016 US\$ '000
Balance at 1 January	179,238
Amount appropriated to provision	(4,265)
Amount apportioned from income allocable to equity of investment accountholders	30,480
Foreign exchange translations	(5,222)
Balance at 30 June	<u><u>200,231</u></u>

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.

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5 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES (continued)

Table – 29. 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 six months of the period ended:

	<i>30 June 2016</i>		
	<i>Opening actual allocation</i>	<i>Movement</i>	<i>Closing actual allocation</i>
	<i>US\$ '000</i>		<i>US\$ '000</i>
Cash and balances with banks	5,031,520	(3,439,077)	1,592,443
Receivables	6,020,520	3,015,341	9,035,861
Mudaraba and Musharaka financing	801,334	89,307	890,641
Investments	1,656,561	(389)	1,656,172
Ijarah Muntahia Bittamleek	770,217	272,541	1,042,758
Other assets	234,447	(6,556)	227,891
	14,514,599	(68,833)	14,445,766

Table – 30. 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:

Type of Claims	<i>30 June 2016</i>		
	<i>RWA</i>	<i>RWA for capital adequacy purposes</i>	<i>Capital charges</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
Claims on Sovereign	886,058	265,817	33,227
Claims on PSEs	8,317	2,495	312
Claims on MDBs	-	-	-
Claims on Banks	306,322	91,897	11,487
Claims on Corporates	3,502,731	1,050,819	131,352
Claims on Investment Firms	-	-	-
Regulatory Retail Portfolio	1,685,195	505,559	63,195
Mortgage	2,300,796	690,239	86,280
Past due facilities	174,265	52,280	6,535
Investment in securities	78,586	23,576	2,947
Holding of Real Estates	328,424	98,527	12,316
Other Assets	442,674	132,802	16,600
	9,713,368	2,914,011	364,251

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6 OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

Table – 31. Historical data over past five years related to IAH (PD-1.3.41 (b),(c),(d),(e),(f) & (g))

	<i>June</i> 2016 <i>US\$ '000</i>	<i>December</i> <i>2015</i> <i>US\$ '000</i>	<i>December</i> <i>2014</i> <i>US\$ '000</i>	<i>December</i> <i>2013</i> <i>US\$ '000</i>	<i>December</i> <i>2012</i> <i>US\$ '000</i>
The profit available for shareholders before smoothing	93,945	196,848	147,945	118,939	144,012
The profit available for IAH before smoothing	561,741	1,026,367	1,018,827	912,092	874,470
The profit available for sharing between IAH and shareholders before smoothing	655,686	1,223,215	1,166,772	1,031,031	1,018,482
The percentage of profit available for shareholders	1%	1%	1%	1%	1%
The percentage of profit available for IAH	3%	6%	7%	6%	6%
The profit available for shareholders after smoothing	93,945	196,848	147,945	118,939	144,012
The profit available for IAH after smoothing	562,718	1,029,375	1,017,908	909,410	873,060
The profit available for sharing between IAH and shareholders after smoothing	656,663	1,226,223	1,165,853	1,028,349	1,017,072
The percentage of profit available for shareholders	1%	1%	1%	1%	1%
The percentage of profit available for IAH	3%	6%	7%	6%	6%
Profit equalisation reserve					
Balance at 1 January	10,037	13,045	12,126	9,444	8,034
Amount apportioned from income allocable to equity of IAH	76	49	2,377	2,643	1,842
Amount used during the year	(391)	(1,229)	-	-	-
Foreign exchange translations	(662)	(1,828)	(1,458)	39	(432)
Balance as at	9,060	10,037	13,045	12,126	9,444
Investment risk reserve					
Balance at 1 January	179,238	198,559	110,424	98,429	93,653
Amount appropriated to provision	(4,265)	(9,549)	(5,288)	(21,807)	(3,946)
Amount apportioned from income allocable to equity of IAH	30,480	10,711	102,728	48,634	4,895
Foreign exchange translations	(5,222)	(20,483)	(9,305)	(14,832)	3,827
Balance as at	200,231	179,238	198,559	110,424	98,429

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

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.

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6 OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS (continued)

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
- (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.

Table – 32. Off-balance sheet equity of IAH by Islamic Financing product type (PD-1.3.33 (h))

The following table summarises the percentage of financing for each type of Shari'a-compliant contract to total financing as of:

	30 June 2016 %
Receivables	35
Mudaraba and Musharaka financing	50
Ijarah Muntahia Bittamleek	15

Table – 33. 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:

	30 June 2016 %
Sovereign	11
Investment Firms	9
Bank	20
Corporates	10
Retail	50

Off-Balance Sheet Equity of IAH Share of Profit (PD-1.3.33 (e) & (q))

The Group's share of profit as a Mudarib for managing IAH and off-balance sheet IAH's share of income is based on the terms and conditions of the related mudaraba agreements. These mudaraba agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on off-balance sheet equity of investment accountholders' returns are analysed at the local level.

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

	June 2016 US\$ '000	December 2015 US\$ '000	December 2014 US\$ '000	December 2013 US\$ '000	December 2012 US\$ '000
Return on off-balance sheet equity o IAH net of expenses	14,931	30,426	28,201	22,512	26,554