

**Al Baraka Banking Group B.S.C.**

**Additional Public Disclosures  
30 June 2014**

**(Unaudited)**

Al Baraka Banking Group B.S.C.

ADDITIONAL PUBLIC DISCLOSURES

30 June 2014 (Unaudited)

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# Al Baraka Banking Group B.S.C.

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

<b>Bank</b>	<b>Ownership for Jun 2014</b>	<b>Ownership for Dec 2013</b>	<b>Year of incorporation</b>	<b>Country of incorporation</b>	<b>No. of branches/ offices at 30 June 2014</b>
<b>Held directly by the Bank</b>					
Banque Al Baraka D'Algerie (BAA)	<b>55.90%</b>	55.90%	1991	Algeria	<b>27</b>
Al Baraka Islamic Bank - Bahrain (AIB)	<b>91.12%</b>	91.12%	1984	Bahrain	<b>117</b>
Al Baraka Bank Tunis (ABT)	<b>78.40%</b>	78.40%	1983	Tunisia	<b>10</b>
Al Baraka Bank Egypt (ABE)	<b>73.68%</b>	73.68%	1980	Egypt	<b>28</b>
Al Baraka Bank Lebanon (ABBL)	<b>98.86%</b>	98.86%	1991	Lebanon	<b>7</b>
Jordan Islamic Bank (JIB)	<b>66.01%</b>	66.01%	1978	Jordan	<b>83</b>
Al Baraka Turk Participation Bank (ATPB)	<b>56.64%</b>	56.64%	1985	Turkey	<b>176</b>
Al Baraka Bank Limited (ABL)	<b>62.15%</b>	62.15%	1989	South Africa	<b>11</b>
Al Baraka Bank Sudan (ABS)	<b>76.09%</b>	82.08%	1984	Sudan	<b>27</b>
Al Baraka Bank Syria (ABBS)	<b>23.00%</b>	23.00%	2009	Syria	<b>9</b>

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

<b>Company/ Bank</b>	<b>Subsidiary held through</b>	<b>Effective Ownership for Jun 2014</b>	<b>Effective Ownership for Dec 2013</b>	<b>Year of incorporation</b>	<b>Country of incorporation</b>
<b>Held indirectly by the Bank</b>					
Al Baraka Bank (Pakistan) Limited	AIB	<b>58.90%</b>	58.90%	2010	Pakistan
Itqan Capital	AIB	<b>54.67%</b>	54.67%	2007	Saudi Arabia
Bereket Varlık Kiralama A.Ş.	ATPA	<b>56.64%</b>	56.64%	2011	Turkey
Al-Omariya School	JIB	<b>62.31%</b>	62.31%	1987	Jordan
Al-Samaha Real Estate	JIB	<b>65.15%</b>	65.15%	1998	Jordan
Future Applied Computer Technology Company	JIB	<b>66.01%</b>	66.01%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	<b>66.01%</b>	66.01%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	<b>62.15%</b>	62.15%	1991	South Africa

This document contains disclosures required under the guidelines of the public disclosures required by Islamic banks. The period covered is from 1 January 2014 to 30 June 2014.

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**2 FINANCIAL HIGHLIGHTS**

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

	<b>June 2014</b>	<i>Dec 2013</i>	<i>Dec 2012</i>	<i>Dec 2011</i>	<i>Dec 2010</i>
<b>EARNINGS (US\$ Millions)*</b>					
Total Operating Income	<b>445</b>	909	880	730	659
Net Operating Income	<b>194</b>	420	422	344	316
Net Income	<b>143</b>	258	235	212	193
Net Income Attributable to Equity Holders of the Parent	<b>80</b>	145	133	118	106
Basic and diluted earnings per share - US cents	<b>7.41</b>	13.90	12.65	11.37	10.13
<b>FINANCIAL POSITION (US\$ Millions)</b>					
Total Assets	<b>22,078</b>	20,968	19,055	17,154	15,878
Total Financing and Investments	<b>16,150</b>	15,355	14,319	11,818	11,391
Total Deposits	<b>18,565</b>	17,744	16,398	14,680	13,571
Total Owners' Equity	<b>2,036</b>	1,983	1,968	1,799	1,817
Equity Attributable to Parent's Shareholders	<b>1,334</b>	1,299	1,294	1,203	1,224
<b>CAPITAL (US\$ Millions)</b>					
Authorised	<b>1,500</b>	1,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	<b>1,093.9</b>	1,048.3	1,014.5	869.6	790.5
<b>PROFITABILITY ***</b>					
Return on Average Owner's Equity	<b>14.2%</b>	13.1%	12.5%	11.7%	10.9%
Return on Average Parent's Shareholders Equity **	<b>12.2%</b>	11.2%	10.7%	9.7%	8.7%
Return on Average Assets	<b>1.3%</b>	1.3%	1.3%	1.3%	1.3%
Operating Expenses to Operating Income	<b>56.5%</b>	53.8%	52.1%	52.8%	52.0%
<b>FINANCIAL POSITION</b>					
Owner's Equity to Assets Ratio	<b>9.2%</b>	9.5%	10.3%	10.5%	11.4%
Total Financing and Investments as a Multiple of Equity (times)	<b>7.9</b>	7.7	7.3	6.6	6.3
Net Book Value per Share (US\$)	<b>1.23</b>	1.24	1.16	1.18	1.16
<b>OTHER INFORMATION</b>					
Total Number of Employees	<b>10,236</b>	9,891	9,398	9,021	8,503
Total Number of Branches	<b>496</b>	479	425	399	370

\* June 2014 results relate to the six months period.

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

\*\*\* Figures are annualised for the period ended 30 June 2014.

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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. No changes were made in the objectives, policies and processes from the previous year.

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

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

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

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

	30 June 2014		31 December 2013	
	Tier 1 US\$ '000	Tier 2 US\$ '000	Tier 1 US\$ '000	Tier 2 US\$ '000
<b>Tier 1 Capital Components</b>				
Issued and fully paid up ordinary shares	1,085,413	-	1,040,168	-
Disclosed reserves				
Legal / statutory reserves	93,138	-	93,138	-
Share premium	17,344	-	16,753	-
Others	(203,306)	-	(194,382)	-
Retained profit brought forward	263,086	-	345,071	-
Unrealized gains arising from fair valuing equities (45% only)	-	-	127	-
Non-controlling interest in consolidated subsidiaries	701,714	-	684,736	-
<b>Less:</b>				
Goodwill	88,576	-	87,548	-
Unrealized gross losses arising from fair valuing equity securities	51,317	-	51,056	-
<b>Tier 1 Capital before PCD deductions</b>	<b>1,817,496</b>	<b>-</b>	<b>1,847,007</b>	<b>-</b>
<b>Tier 2 Capital Components</b>				
Current interim profits	-	80,118	-	-
Asset revaluation reserve - Property, plant, and equipment (45% only)	-	335	-	525
Unrealized gains arising from fair valuing equities (45% only)	-	22,030	-	21,379
Profit equalization reserve	-	13,068	-	12,126
Investment risk reserve	-	110,569	-	110,424
Collective impairment loss provision	-	21,015	-	-
<b>Tier 2 Capital before PCD deductions</b>	<b>-</b>	<b>247,135</b>	<b>-</b>	<b>144,454</b>
<b>Total Available Capital</b>	<b>1,817,496</b>	<b>247,135</b>	<b>1,847,007</b>	<b>144,454</b>

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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)**

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<i>Tier 1</i>	<i>Tier 2</i>	<i>Tier 1</i>	<i>Tier 2</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Deduction</b>				
Investment in insurance entity greater than or equal to 20%	<b>(6,652)</b>	<b>(6,652)</b>	(5,454)	(5,454)
<b>Net Available Capital</b>	<b>1,810,844</b>	<b>240,483</b>	1,841,553	139,000
<b>TOTAL ELIGIBLE CAPITAL</b>		<b>2,051,327</b>		<b>1,980,553</b>

**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:

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Credit Risk	<b>9,808,614</b>	<b>1,177,034</b>	9,327,487	1,119,298
Market Risk	<b>981,668</b>	<b>117,800</b>	1,107,128	132,855
Operational Risk	<b>1,574,526</b>	<b>188,943</b>	1,574,526	188,943
	<b>12,364,808</b>	<b>1,483,777</b>	12,009,141	1,441,096

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

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

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Islamic financing contracts</b>				
Receivables	<b>5,977,875</b>	<b>717,345</b>	5,912,093	709,451
Mudaraba and Musharaka financing	<b>820,497</b>	<b>98,460</b>	735,269	88,232
Ijarah Muntahia Bittamleek	<b>758,218</b>	<b>90,986</b>	654,938	78,593
	<b>7,556,590</b>	<b>906,791</b>	7,302,300	876,276

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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 Tier 1 capital as of:

	<b>30 June 2014</b>	<i>31 December 2013</i>
Total capital ratio	<b>16.59%</b>	16.49%
Tier 1 capital ratio	<b>14.65%</b>	15.33%

**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 CBB requirements, which may differ from the local requirements of the countries in which the subsidiaries operate, as of:

	<b>30 June 2014</b>		<i>31 December 2013</i>	
	<b><i>Tier 1 capital ratio</i></b>	<b><i>Total capital ratio</i></b>	<i>Tier 1 capital ratio</i>	<i>Total capital ratio</i>
Head Office	<b>30%</b>	<b>30%</b>	28%	28%
Banque Al Baraka D'Algerie	<b>22%</b>	<b>24%</b>	29%	30%
Al Baraka Islamic Bank *	<b>14%</b>	<b>14%</b>	14%	14%
Al Baraka Bank Tunis	<b>15%</b>	<b>28%</b>	23%	41%
Al Baraka Bank Egypt	<b>15%</b>	<b>18%</b>	17%	17%
Al Baraka Bank Lebanon	<b>14%</b>	<b>18%</b>	12%	13%
Jordan Islamic Bank	<b>18%</b>	<b>20%</b>	16%	16%
Al Baraka Turk Participation Bank	<b>12%</b>	<b>17%</b>	14%	19%
Al Baraka Bank Limited	<b>20%</b>	<b>24%</b>	22%	26%
Al Baraka Bank Sudan	<b>12%</b>	<b>13%</b>	13%	14%
Al Baraka Bank Syria	<b>15%</b>	<b>16%</b>	17%	18%

\* These ratios represents the consolidated ratios of Al Baraka Islamic Bank Bahrain and Al Baraka Pakistan has tier 1 capital ratio of 16.74% (2013: 17.07%) and total capital ratio of 20.28% (2013: 21.12%).

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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:

	<b>30 June</b>	<i>31 December</i>
	<b>2014</b>	<i>2013</i>
Short term assets to short term liabilities	<b>81%</b>	<i>78%</i>
Liquid assets to total assets	<b>27%</b>	<i>27%</i>

##### 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 at 30 June 2014 was as follows:

	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 months to 1 year</i>	<i>1 to 3 years</i>	<i>3 to 5 years</i>	<i>5 to 10 years</i>	<i>10 to 20 years</i>	<i>20 years and above</i>	<i>Undated</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>ASSETS</b>											
Cash and balances with banks	2,809,146	-	-	-	-	-	-	-	-	2,294,453	5,103,599
Receivables	1,604,037	1,408,584	1,701,264	1,863,599	2,901,183	1,015,436	393,499	14,006	292	323,228	11,225,128
Mudaraba and Musharaka financing	619,647	4,538	14,159	20,344	350,919	136,030	98,101	20,969	-	2,805	1,267,512
Investments	1,041,371	186,927	347,292	383,865	281,534	108,313	32,812	1,412	-	146,298	2,529,824
Ijarah Muntahia Bittamleek	26,471	11,829	143,286	39,857	178,164	203,005	201,505	286,897	3,821	32,308	1,127,143
Property and equipment	-	-	-	-	-	-	-	-	-	356,693	356,693
Other assets	72,161	40,333	17,385	54,662	37,185	65,924	5,629	1,698	-	173,213	468,190
<b>Total Assets</b>	<b>6,172,833</b>	<b>1,652,211</b>	<b>2,223,386</b>	<b>2,362,327</b>	<b>3,748,985</b>	<b>1,528,708</b>	<b>731,546</b>	<b>324,982</b>	<b>4,113</b>	<b>3,328,998</b>	<b>22,078,089</b>
<b>LIABILITIES</b>											
Customer current and other accounts	4,328,707	-	-	-	-	-	-	-	-	-	4,328,707
Due to banks	392,137	348,987	80,774	65,721	22,000	-	-	-	-	73,459	983,078
Long term financing	-	1,420	1,349	2,750	277,889	174,671	199,755	-	-	-	657,834
Other liabilities	406,291	49,886	28,741	29,484	65,934	26,596	188	-	-	211,915	819,035
<b>Total Liabilities</b>	<b>5,127,135</b>	<b>400,293</b>	<b>110,864</b>	<b>97,955</b>	<b>365,823</b>	<b>201,267</b>	<b>199,943</b>	<b>-</b>	<b>-</b>	<b>285,374</b>	<b>6,788,654</b>
<b>Equity of investment accountholders</b>	<b>4,889,046</b>	<b>2,390,940</b>	<b>1,019,977</b>	<b>1,320,352</b>	<b>1,447,653</b>	<b>1,034,621</b>	<b>1,150,954</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,253,543</b>
<b>Total liabilities and equity of investment accountholders</b>	<b>10,016,181</b>	<b>2,791,233</b>	<b>1,130,841</b>	<b>1,418,307</b>	<b>1,813,476</b>	<b>1,235,888</b>	<b>1,350,897</b>	<b>-</b>	<b>-</b>	<b>285,374</b>	<b>20,042,197</b>
<b>Net liquidity gap</b>	<b>(3,843,348)</b>	<b>(1,139,022)</b>	<b>1,092,545</b>	<b>944,020</b>	<b>1,935,509</b>	<b>292,820</b>	<b>(619,351)</b>	<b>324,982</b>	<b>4,113</b>	<b>3,043,624</b>	<b>2,035,892</b>
<b>Cumulative net liquidity gap</b>	<b>(3,843,348)</b>	<b>(4,982,370)</b>	<b>(3,889,825)</b>	<b>(2,945,805)</b>	<b>(1,010,296)</b>	<b>(717,476)</b>	<b>(1,336,827)</b>	<b>(1,011,845)</b>	<b>(1,007,732)</b>	<b>2,035,892</b>	
<b>Off-balance sheet equity of investment accountholders / sukukholders</b>	<b>96,249</b>	<b>322,260</b>	<b>160,155</b>	<b>125,969</b>	<b>14,105</b>	<b>373,724</b>	<b>4,682</b>	<b>-</b>	<b>-</b>	<b>142,950</b>	<b>1,240,094</b>

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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 at 31 December 2013 was 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>
<b>ASSETS</b>											
Cash and balances with banks	2,304,753	-	-	-	-	-	-	-	-	2,492,734	4,797,487
Receivables	1,688,879	1,282,832	1,693,454	1,875,021	2,847,564	979,430	394,925	6,030	175	49,909	10,818,219
Mudaraba and Musharaka financing	623,652	12,374	12,583	23,982	276,409	102,038	120,917	16,568	-	3,602	1,192,125
Investments	831,181	227,845	154,236	491,390	393,465	131,074	29,926	1,411	-	142,302	2,402,830
Ijarah Muntahia Bittamleek	10,328	14,113	141,435	27,737	117,397	175,959	190,831	250,519	2,390	11,339	942,048
Property and equipment	-	-	-	-	-	-	-	-	-	405,880	405,880
Other assets	59,142	11,300	10,086	16,620	62,765	55,169	6,285	1,965	-	185,638	408,970
<b>Total Assets</b>	<b>5,517,935</b>	<b>1,548,464</b>	<b>2,011,794</b>	<b>2,434,750</b>	<b>3,697,600</b>	<b>1,443,670</b>	<b>742,884</b>	<b>276,493</b>	<b>2,565</b>	<b>3,291,404</b>	<b>20,967,559</b>
<b>LIABILITIES</b>											
Customer current and other accounts	4,249,181	-	-	-	-	-	-	-	-	-	4,249,181
Due to banks	374,175	264,104	187,149	203,607	22,000	-	-	-	-	44,833	1,095,868
Long term financing	-	-	-	-	273,072	63,163	204,445	-	-	-	540,680
Other liabilities	290,303	45,016	52,845	35,884	44,600	9,719	167	-	-	220,465	698,999
<b>Total Liabilities</b>	<b>4,913,659</b>	<b>309,120</b>	<b>239,994</b>	<b>239,491</b>	<b>339,672</b>	<b>72,882</b>	<b>204,612</b>	<b>-</b>	<b>-</b>	<b>265,298</b>	<b>6,584,728</b>
Equity of investment accountholders	5,174,927	1,384,986	1,093,554	1,337,513	2,508,538	830,033	3,493	-	-	66,400	12,399,444
<b>Total liabilities and equity of   investment accountholders</b>	<b>10,088,586</b>	<b>1,694,106</b>	<b>1,333,548</b>	<b>1,577,004</b>	<b>2,848,210</b>	<b>902,915</b>	<b>208,105</b>	<b>-</b>	<b>-</b>	<b>331,698</b>	<b>18,984,172</b>
<b>Net liquidity gap</b>	<b>(4,570,651)</b>	<b>(145,642)</b>	<b>678,246</b>	<b>857,746</b>	<b>849,390</b>	<b>540,755</b>	<b>534,779</b>	<b>276,493</b>	<b>2,565</b>	<b>2,959,706</b>	<b>1,983,387</b>
<b>Cumulative net liquidity gap</b>	<b>(4,570,651)</b>	<b>(4,716,293)</b>	<b>(4,038,047)</b>	<b>(3,180,301)</b>	<b>(2,330,911)</b>	<b>(1,790,156)</b>	<b>(1,255,377)</b>	<b>(978,884)</b>	<b>(976,319)</b>	<b>1,983,387</b>	
Off-balance sheet equity of investment accountholders	95,648	105,162	171,309	315,228	13,632	7,316	5,953	-	-	-	714,248

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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:

	<i>30 June 2014</i>				<i>31 December 2013</i>			
	<i>Self financed</i>		<i>Financed by IAH</i>		<i>Self financed</i>		<i>Financed by IAH</i>	
	<i>Total gross credit exposure</i>	<i>*Average gross credit exposure over the period</i>	<i>Total gross credit exposure</i>	<i>*Average gross credit exposure over the period</i>	<i>Total gross credit exposure</i>	<i>*Average gross credit exposure over the year</i>	<i>Total gross credit exposure</i>	<i>*Average gross credit exposure over the year</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b><u>Funded Exposure</u></b>								
Receivables	5,192,585	5,144,568	6,032,543	5,896,605	5,244,708	5,212,360	5,573,511	5,519,545
Mudaraba and Musharaka financing	702,993	707,534	564,519	594,901	671,144	536,011	520,981	501,280
Investments	1,208,863	1,237,523	1,320,961	1,297,836	1,143,439	1,047,987	1,259,391	1,176,131
Ijarah Muntahia Bittamleek	550,780	508,808	576,363	556,346	433,111	391,118	508,937	470,924
Other assets	125,875	134,371	90,190	88,503	82,344	84,784	80,765	79,454
<b><u>Unfunded Exposure</u></b>								
Commitments and contingencies	5,018,215	4,986,442	-	-	4,947,667	5,074,194	-	-
	<b>12,799,311</b>	<b>12,719,246</b>	<b>8,584,576</b>	<b>8,434,190</b>	<b>12,522,413</b>	<b>12,346,453</b>	<b>7,943,585</b>	<b>7,747,334</b>

\*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 2014, broken down into significant areas by major types of credit exposure:

	<i>Self financed</i>				<i>Financed by IAH</i>			
	<i>Middle East</i>	<i>North Africa</i>	<i>Europe</i>	<i>Others</i>	<i>Middle East</i>	<i>North Africa</i>	<i>Europe</i>	<i>Others</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Receivables	1,436,607	471,162	3,051,091	233,725	2,578,500	371,538	2,758,822	323,683
Mudaraba and Musharaka financing	433,686	87,883	95,602	85,822	262,140	70,210	-	232,169
Investments	462,548	110,220	424,174	211,921	1,154,684	74,291	-	91,986
Ijarah Muntahia Bittamleek	252,054	191,451	90,855	16,420	399,710	150,304	56	26,293
Other Assets	77,293	14,672	7,965	25,945	36,124	11,527	12,111	30,428
	<b>2,662,188</b>	<b>875,388</b>	<b>3,669,687</b>	<b>573,833</b>	<b>4,431,158</b>	<b>677,870</b>	<b>2,770,989</b>	<b>704,559</b>

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

	<i>Self financed</i>				<i>Financed by IAH</i>			
	<i>Middle East</i>	<i>North Africa</i>	<i>Europe</i>	<i>Others</i>	<i>Middle East</i>	<i>North Africa</i>	<i>Europe</i>	<i>Others</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Receivables	1,428,990	416,541	3,208,996	190,181	2,524,366	324,324	2,389,776	335,045
Mudaraba and Musharaka financing	457,075	91,945	61,621	60,503	223,840	81,870	-	215,271
Investments	444,010	83,864	474,078	141,487	1,078,657	60,321	-	120,413
Ijarah Muntahia Bittamleek	219,137	171,442	34,073	8,459	359,381	126,355	77	23,124
Other Assets	52,038	8,493	5,876	15,937	46,147	6,507	8,046	20,065
	<b>2,601,250</b>	<b>772,285</b>	<b>3,784,644</b>	<b>416,567</b>	<b>4,232,391</b>	<b>599,377</b>	<b>2,397,899</b>	<b>713,918</b>

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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 2014:

	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	394,162	571,226	-	-	883,824	1,050,563	-	22,952	-	-	11,791	-	1,289,777	1,644,741
Claims on multi-lateral development banks	219	2,236	-	-	-	-	-	-	-	-	-	-	219	2,236
Claims on investment firms	-	89,841	1,657	92,926	28,106	30,659	-	2,198	-	-	-	-	29,763	215,624
Claims on banks	109,023	586,547	61,205	73,257	35,068	18,061	166	207,508	-	-	103,053	-	308,515	885,373
Claims on corporates	3,874,597	2,992,386	-	667	91,186	72,584	66,955	81,102	-	-	4,807,115	-	8,839,853	3,146,739
Claims on retail	703,630	1,639,795	-	-	-	-	483,659	262,502	-	-	96,256	-	1,283,545	1,902,297
Past due receivables	110,954	149,910	-	-	28,727	356	-	-	-	-	-	-	139,681	150,266
Equity investment	-	-	440,155	73,417	75,171	22,570	-	-	-	-	-	-	515,326	95,987
Investment in funds	-	-	-	-	14,378	5,858	-	-	-	-	-	-	14,378	5,858
Specialized lending	-	602	199,976	324,252	-	33,405	-	101	-	-	-	-	199,976	358,360
Other assets	-	-	-	-	52,403	86,905	-	-	125,875	90,190	-	-	178,278	177,095
<b>Total</b>	<b>5,192,585</b>	<b>6,032,543</b>	<b>702,993</b>	<b>564,519</b>	<b>1,208,863</b>	<b>1,320,961</b>	<b>550,780</b>	<b>576,363</b>	<b>125,875</b>	<b>90,190</b>	<b>5,018,215</b>	<b>-</b>	<b>12,799,311</b>	<b>8,584,576</b>

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4 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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

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

	Funded Exposures								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	350,718	619,417	-	1,845	969,573	1,039,089	-	26,157	-	-	18,785	-	1,339,076	1,686,508
Claims on multi-lateral development banks	2,992	10,075	-	-	-	-	-	-	-	-	-	-	2,992	10,075
Claims on investment firms	-	-	-	-	31,038	-	-	-	-	-	-	-	31,038	-
Claims on banks	147,295	318,891	162,681	58,442	16,659	56,947	186	3,010	-	-	116,762	-	443,583	437,290
Claims on corporates	3,997,081	3,003,431	6,209	61,782	7,092	23,438	93,207	146,268	-	-	4,542,304	-	8,645,893	3,234,919
Claims on retail	703,737	1,477,774	-	956	-	-	337,478	329,905	-	-	260,257	-	1,301,472	1,808,635
Past due receivables	42,885	143,923	-	3,391	-	-	2,240	3,597	-	-	9,559	-	54,684	150,911
Equity investment	-	-	347,623	100,233	57,701	43,855	-	-	-	-	-	-	405,324	144,088
Investment in funds	-	-	-	-	15,141	8,496	-	-	-	-	-	-	15,141	8,496
Specialized lending	-	-	154,631	294,332	-	-	-	-	-	-	-	-	154,631	294,332
Other assets	-	-	-	-	46,235	87,566	-	-	82,344	80,765	-	-	128,579	168,331
<b>Total</b>	<b>5,244,708</b>	<b>5,573,511</b>	<b>671,144</b>	<b>520,981</b>	<b>1,143,439</b>	<b>1,259,391</b>	<b>433,111</b>	<b>508,937</b>	<b>82,344</b>	<b>80,765</b>	<b>4,947,667</b>	<b>-</b>	<b>12,522,413</b>	<b>7,943,585</b>

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

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**4 RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

**Large Credit Exposure (PD - 1.3.23 (f))**

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

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

**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 2014:

	<i>Total</i> <i>US\$ '000</i>	<i>Neither past due nor non performing</i> <i>US\$ '000</i>	<i>Past due but performing</i> <i>US\$ '000</i>	<i>Non performing Islamic financing contracts</i> <i>US\$ '000</i>	<i>Aging of non performing Islamic financing contracts</i>		
					<i>90 days to 1 year</i> <i>US\$ '000</i>	<i>1 year to 3 years</i> <i>US\$ '000</i>	<i>Over 3 years</i> <i>US\$ '000</i>
<b>Sovereign</b>	997,934	984,413	13,521	-	-	-	-
<b>Bank</b>	787,749	783,664	46	4,037	-	-	4,037
<b>Investment Firms</b>	72,415	36,681	-	35,734	2,508	-	33,226
<b>Corporates</b>	7,693,365	6,659,703	687,019	346,643	87,286	106,499	152,858
<b>Retail</b>	3,610,499	3,277,460	178,032	155,007	32,777	34,645	87,585
	<b>13,161,962</b>	<b>11,741,921</b>	<b>878,618</b>	<b>541,421</b>	<b>122,571</b>	<b>141,144</b>	<b>277,706</b>

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30 June 2014 (Unaudited)

**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)) (continued)**

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

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

## ADDITIONAL PUBLIC DISCLOSURES

30 June 2014 (Unaudited)

## 4 RISK MANAGEMENT (continued)

## b) Credit risk (continued)

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

The following table summarises the total specific provisions disclosed by counterparty type as of 30 June 2014:

	<i>Specific provisions</i>						
	<i>Opening Balance US\$ '000</i>	<i>Charges during the period US\$ '000</i>	<i>Write-Back during the period US\$ '000</i>	<i>Write-offs during the period US\$ '000</i>	<i>Appropriation from IAH during the period US\$ '000</i>	<i>Foreign exchange translations/ others US\$ '000</i>	<i>Balance at the end of the period US\$ '000</i>
Bank	2,613	-	-	-	-	49	2,662
Investment Firms	4,365	840	(840)	-	-	(80)	4,285
Corporates	323,365	29,505	(14,970)	(3,250)	7,429	(2,882)	339,197
Retail	116,094	6,116	(4,712)	(1,753)	(445)	454	115,754
	<b>446,437</b>	<b>36,461</b>	<b>(20,522)</b>	<b>(5,003)</b>	<b>6,984</b>	<b>(2,459)</b>	<b>461,898</b>

ADDITIONAL PUBLIC DISCLOSURES

30 June 2014 (Unaudited)

**4 RISK MANAGEMENT (continued)**

**b) Credit risk (continued)**

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

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

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

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

The following table summarises the movement of general provisions:

	<b>30 June</b> <b>2014</b> <b>US\$ '000</b>	<i>31 December</i> <i>2013</i> <i>US\$ '000</i>
Opening Balance	<b>30,306</b>	18,210
Charges during the period / year	<b>822</b>	8,974
Write-Back during the period / year	<b>(16,083)</b>	(1)
Write-offs during the period / year	<b>(151)</b>	(28)
Foreign exchange translations/ others	<b>6,121</b>	3,151
Balance at the end of the period / year	<b>21,015</b>	30,306

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

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30 June 2014 (Unaudited)

**4 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:

	30 June 2014			31 December 2013		
	<i>Past due and non performing Islamic financing contracts</i> US\$ '000	<i>Specific provision</i> US\$ '000	<i>General provision</i> US\$ '000	<i>Past due and non performing Islamic financing contracts</i> US\$ '000	<i>Specific provision</i> US\$ '000	<i>General provision</i> US\$ '000
Middle East	331,797	248,419	20,375	282,742	240,419	27,469
North Africa	391,686	41,665	640	73,834	43,652	2,837
Europe	544,079	128,071	-	132,453	121,009	-
Others	152,477	43,743	-	204,647	41,357	-
	<b>1,420,039</b>	<b>461,898</b>	<b>21,015</b>	<b>693,676</b>	<b>446,437</b>	<b>30,306</b>

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

	30 June 2014 US\$ '000	31 December 2013 US\$ '000
Renegotiated Islamic financing contracts	<b>99,378</b>	140,299

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

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

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

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

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

Al Baraka Banking Group B.S.C.  
ADDITIONAL PUBLIC DISCLOSURES

30 June 2014 (Unaudited)

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:

	<b>30 June 2014 US\$ '000</b>	<b>31 December 2013 US\$ '000</b>
Gross positive fair value of contracts	<b>16,149,607</b>	15,355,222
Netting Benefits	-	-
Netted Current Credit Exposure	<b>16,149,607</b>	15,355,222
Collateral held:		
Cash	<b>794,768</b>	458,379
Others	<b>4,426,781</b>	4,668,140
Real Estate	<b>10,826,518</b>	9,900,605
	<b>16,048,067</b>	15,027,124

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

**4 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:

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<i>Equity position risk</i>	<i>Foreign exchange risk</i>	<i>Equity position risk</i>	<i>Foreign exchange risk</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Risk weighted exposure (RWE)	-	<b>981,668</b>	-	1,107,128
Capital requirements (12%)	-	<b>117,800</b>	-	132,855
Maximum value of RWE	-	<b>1,198,436</b>	-	1,107,128
Minimum value of RWE	-	<b>981,668</b>	-	871,496

*Profit rate risk*

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

*Displaced Commercial Risk*

The Group is exposed to displaced commercial risk in the event of having IAH profit rates that are lower than market rates. The Group has partially mitigated this risk through the setting up of reserves that will be used in case of a drop in IAH profit rates. The policies and procedures for displaced commercial risk are formulated and implemented at the individual subsidiary level.

*Equity price risk*

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

Equity-type instruments at fair value through equity and investments in real estate are kept for capital gain purposes.

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.

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**4 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 30 June 2014:

	<i>Total gross exposure US\$ '000</i>	<i>Average gross exposure over the period US\$ '000</i>	<i>Publicly held US\$ '000</i>	<i>Privately held US\$ '000</i>	<i>Capital requirement US\$ '000</i>
Sukook and similar items	2,232,195	2,253,941	1,083,845	1,148,350	42,752
Equity Investment	126,852	118,097	62,510	64,342	53,082
Managed funds	25,622	24,319	18,680	6,942	1,997
	<b>2,384,669</b>	<b>2,396,357</b>	<b>1,165,035</b>	<b>1,219,634</b>	<b>97,831</b>

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2013:

	<i>Total gross exposure US\$ '000</i>	<i>Average gross exposure over the year US\$ '000</i>	<i>Publicly held US\$ '000</i>	<i>Privately held US\$ '000</i>	<i>Capital requirement US\$ '000</i>
Sukook and similar items	2,125,604	1,903,011	999,683	1,125,921	37,019
Equity Investment	113,037	142,516	72,015	41,022	45,275
Managed funds	24,839	45,706	16,401	8,438	6,075
	<b>2,263,480</b>	<b>2,091,232</b>	<b>1,088,099</b>	<b>1,175,381</b>	<b>88,369</b>

**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:

	<b>30 June 2014 US\$ '000</b>	<b>30 June 2013 US\$ '000</b>
Cumulative realised gains arising from sales or liquidations in the reporting period	<b>1,888</b>	1,324
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	<b>(2,702)</b>	(3,509)
Unrealised gross gains (losses) included in Tier 1 Capital	<b>51,317</b>	(50,733)
Unrealised gains included in Tier 2 Capital (45% only)	<b>22,030</b>	21,372

**4 RISK MANAGEMENT (continued)**

**c) Market risk (continued)**

*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:

Currency	30 June 2014			31 December 2013		
	Operational equivalent	Strategic equivalent	Total equivalent	Operational equivalent	Strategic equivalent	Total equivalent
	Long (short)	Long (short)	Long (short)	Long (short)	Long (short)	Long (short)
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Turkish Lira	(107,725)	419,941	312,216	(152,571)	392,016	239,445
Jordanian Dinar	(65,918)	249,698	183,780	(12,571)	246,406	233,835
Egyptian Pound	(13,239)	119,270	106,031	183,030	124,230	307,260
Sudanese Pound	5,575	22,884	28,459	1,963	23,837	25,800
Algerian Dinar	-	129,726	129,726	-	143,069	143,069
Lebanese Pound	3,319	18,769	22,088	(584)	18,597	18,013
Pound Sterling	(181)	-	(181)	41	-	41
Tunisian Dinar	(825)	73,682	72,857	46,307	-	46,307
Euro	15,292	-	15,292	(4,999)	-	(4,999)
South African Rand	10,040	23,069	33,109	5,271	22,607	27,878
Pakistani Rupees	(11,284)	62,234	50,950	(18,047)	62,234	44,187
Syrian Pound	(4,430)	8,625	4,195	(15,481)	6,956	(8,525)
Others	13,277	-	13,277	11,054	-	11,054

*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.

**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 2014**

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	24,088	(10%)	(2,190)	10%	2,676
	Total Equity	102,345	(10%)	(21,097)	10%	25,786
Egyptian Pound	Net Income	15,375	(15%)	(2,005)	20%	3,844
	Total Equity	42,602	(15%)	(21,114)	20%	40,468
Turkish Lira	Net Income	60,050	(20%)	(10,008)	20%	15,012
	Total Equity	321,420	(20%)	(123,560)	20%	185,340
Sudanese Pound	Net Income	2,847	(15%)	(371)	25%	949
	Total Equity	7,192	(15%)	(3,923)	25%	10,025
S.African Rand	Net Income	1,248	(10%)	(113)	10%	139
	Total Equity	14,050	(10%)	(3,374)	10%	4,124
Syrian Pound	Net Income	12,259	(10%)	(593)	25%	2,175
	Total Equity	28,876	(10%)	(3,682)	25%	13,500
Pakistani Rupees	Net Loss	1,781	(10%)	(232)	15%	198
	Total Equity	7,892	(10%)	(3,824)	15%	8,746

**At 31 December 2013**

Currency	Particular	Exposures in US\$ '000	Maximum expected decrease %	Change in net income and owners' equity US\$ '000	Maximum expected increase %	Change in net income and owners' equity US\$ '000
Algerian Dinar	Net Income	44,077	(10%)	(4,007)	10%	4,897
	Total Equity	112,873	(10%)	(23,267)	10%	28,438
Egyptian Pound	Net Income	20,926	(15%)	3,523	20%	(3,918)
	Total Equity	44,375	(15%)	(21,992)	20%	42,151
Turkish Lira	Net Income	435,832	(20%)	(21,279)	20%	31,918
	Total Equity	300,046	(20%)	(115,344)	20%	173,016
Sudanese Pound	Net Income	8,932	(15%)	(1,165)	25%	2,977
	Total Equity	7,491	(15%)	(4,086)	25%	10,443
S.African Rand	Net Income	3,009	(10%)	(274)	10%	334
	Total Equity	13,769	(10%)	(3,307)	10%	4,042
Syrian Pound	Net Income	11,320	(10%)	(1,029)	25%	3,773
	Total Equity	23,287	(10%)	(2,749)	25%	10,081
Pakistani Rupees	Net Income	(151)	(10%)	(17)	15%	20
	Total Equity	2,391	(10%)	8,663	15%	(2,693)

**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:

	<b>Gross income</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Total Gross Income</b>	<b>909,484</b>	879,770	729,987
		<b>June</b>	<b>December</b>
		<b>2014</b>	<b>2013</b>
<b>Indicators of operational risk</b>			
Average Gross income (US\$ '000)		<b>839,747</b>	839,747
<b>Multiplier</b>		<b>12.5</b>	12.5
		<b>10,496,838</b>	10,496,838
Eligible Portion for the purpose of the calculation		<b>15%</b>	15%
<b>TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US\$ '000)</b>		<b>1,574,526</b>	1,574,526

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

**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 Investment Accountholders (PD-1.3.33 (a), (b), (c))**

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

	<b>30 June 2014 US\$ '000</b>	<i>31 December 2013 US\$ '000</i>
IAH - Banks	<b>374,873</b>	441,176
IAH - Non-banks	<b>12,740,600</b>	11,827,042
Profit equalisation reserve (PER) - Banks	<b>379</b>	443
Profit equalisation reserve (PER) - Non-banks	<b>12,689</b>	11,683
Investment risk reserve (IRR) - Banks	<b>3,211</b>	4,038
Investment risk reserve (IRR) - Non-banks	<b>107,358</b>	106,386
Cumulative changes in fair value attributable to IAH	<b>14,433</b>	8,676
	<b>13,253,543</b>	12,399,444

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

	<b>30 June 2014 %</b>	<i>30 June 2013 %</i>
Return on average IAH Equity	<b>3</b>	3
Return on average IAH Assets	<b>4</b>	4

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

	<b>30 June 2014 %</b>	<i>31 December 2013 %</i>
IAH - Banks	<b>3</b>	4
IAH - Non-banks	<b>97</b>	96

The appropriation percentage of IAH into profit equalisation reserve and investment risk reserve varies between each of the Group's subsidiary based on market conditions and applicable rules and regulations.

**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:

	<b>30 June 2014 %</b>	<i>31 December 2013 %</i>
Receivables	<b>84</b>	84
Mudaraba and Musharaka financing	<b>8</b>	8
Ijarah Muntahia Bittamleek	<b>8</b>	8

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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:

	<b>30 June</b>	<i>31 December</i>
	<b>2014</b>	<i>2013</i>
	%	%
Sovereign	2	2
Bank	2	3
Investment Firms	9	9
Corporates	15	15
Retail	72	71

**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:

<b>Movement in profit equalisation reserve</b>	<b>2014</b>	<i>2013</i>
	<b>US\$ '000</b>	<i>US\$ '000</i>
Balance at 1 January	12,126	9,444
Amount apportioned from income allocable to equity of investment accountholders	1,103	1,115
Foreign exchange translations investment accountholders	(161)	(246)
Balance at 30 June	<b>13,068</b>	<i>10,313</i>

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:

<b>Movement in investment risk reserve</b>	<b>2014</b>	<i>2013</i>
	<b>US\$ '000</b>	<i>US\$ '000</i>
Balance at 1 January	110,424	98,429
Amount appropriated to provision	(6,984)	(15,345)
Amount apportioned from income allocable to equity of investment accountholders	16,116	38,155
Foreign exchange translations	(8,987)	(9,523)
Balance at 30 June	<b>110,569</b>	<i>111,716</i>

**5 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES (continued)**

**IAH Share of Profit (PD-1.3.33 (e) & (q))**

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

**Table – 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 first six months of the period/year ended:

	30 June 2014			31 December 2013		
	Opening		Closing	Opening		Closing
	Actual		Actual	Actual		Actual
	Allocation	Movement	Allocation	Allocation	Movement	Allocation
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Cash and balances						
with banks	4,328,147	211,551	4,539,698	3,823,239	504,908	4,328,147
Receivables	5,573,511	459,032	6,032,543	5,440,607	132,904	5,573,511
Mudaraba and						
Musharaka financing	520,981	43,538	564,519	508,736	12,245	520,981
Investments	1,259,391	61,570	1,320,961	1,121,502	137,889	1,259,391
Ijarah Muntahia						
Bittamleek	508,937	67,426	576,363	457,821	51,116	508,937
Other assets	208,477	10,982	219,459	215,968	(7,491)	208,477
	<b>12,399,444</b>	<b>854,099</b>	<b>13,253,543</b>	<b>11,567,873</b>	<b>831,571</b>	<b>12,399,444</b>

**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	30 June 2014			31 December 2013		
	RWA	RWA for	Capital	RWA	RWA for	Capital
	US\$ '000	adequacy	Charges	US\$ '000	adequacy	Charges
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Claims on Sovereign	1,074,837	322,451	38,694	846,446	253,934	30,472
Claims on PSEs	14,145	4,244	509	1,845	554	66
Claims on MDBs	-	-	-	10,075	3,023	363
Claims on Banks	267,097	80,129	9,615	64,082	19,225	2,307
Claims on Corporates	5,719,354	1,715,806	205,897	5,139,529	1,541,859	185,023
Claims on Investment						
Firms	760	228	27	-	-	-
Regulatory Retail						
Portfolio	805,313	241,594	28,991	689,985	206,996	24,840
Mortgage	821,926	246,578	29,589	774,937	232,481	27,898
Past due facilities	196,662	58,999	7,080	158,001	47,400	5,688
Investment in securities	316,299	94,890	11,387	294,028	88,208	10,585
Holding of Real Estates	180,348	54,104	6,492	194,470	58,341	7,001
Other Assets	316,370	94,911	11,389	577,724	173,317	20,798
	<b>9,713,111</b>	<b>2,913,934</b>	<b>349,670</b>	<b>8,751,122</b>	<b>2,625,338</b>	<b>315,041</b>

**6 OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS**

**Table – 31. 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:

	<b>30 June</b>	<i>31 December</i>
	<b>2014</b>	<i>2013</i>
	%	%
Receivables	<b>25</b>	20
Mudaraba and Musharaka financing	<b>75</b>	80

**Table – 32. 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:

	<b>30 June</b>	<i>31 December</i>
	<b>2014</b>	<i>2013</i>
	%	%
Sovereign	<b>3</b>	2
Investment Firms	<b>5</b>	6
Bank	<b>49</b>	39
Corporates	<b>5</b>	11
Retail	<b>38</b>	42

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

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