Al Baraka Banking Group B.S.C.

Additional Public Disclosures
31 December 2012

(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, 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:

Bank	*Ownership for 2012*	*Ownership for 2011*	*Year of incorporation*	*Country of incorporation*	*No. of branches/ offices at 2012*
Held directly by the Bank					
Banque Al Baraka D'Algerie (BAA)	**55.90%**	55.90%	1991	Algeria	**26**
Al Baraka Islamic Bank - Bahrain (AIB)	**91.12%**	91.12%	1984	Bahrain	**101**
Al Baraka Bank Tunis (ABT)	**78.40%**	78.40%	1983	Tunisia	**8**
Al Baraka Bank Egypt (ABE)	**73.68%**	73.68%	1980	Egypt	**23**
Al Baraka Bank Lebanon (ABBL)	**98.71%**	98.50%	1991	Lebanon	**7**
Jordan Islamic Bank (JIB)	**66.01%**	66.01%	1978	Jordan	**77**
Al Baraka Turk Participation Bank (ATPB)	**56.64%**	56.64%	1985	Turkey	**137**
Al Baraka Bank Limited (ABL)	**62.15%**	61.98%	1989	South Africa	**11**
Al Baraka Bank Sudan (ABS)	**82.08%**	82.08%	1984	Sudan	**25**
Al Baraka Bank Syria (ABBS)	**23.00%**	23.00%	2009	Syria	**9**

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

Company/ Bank *Held indirectly by the Bank*	*Subsidiary held through*	*Effective Ownership for 2012*	*Effective Ownership for 2011*	*Year of incorporation*	*Country of incorporation*
Al Baraka Bank (Pakistan) Limited	AIB	**58.90%**	58.90%	2010	Pakistan
Itqan Capital	AIB	**54.67%**	-	2007	Saudi Arabia
Al- Rizq Trading Company	JIB	**59.40%**	59.40%	1994	Jordan
Al-Omariya School Company	JIB	**62.31%**	62.31%	1987	Jordan
Al-Samaha Real Estate	JIB	**66.01%**	66.01%	1998	Jordan
Future Applied Computer Technology Company	JIB	**66.01%**	66.01%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**66.01%**	66.01%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**62.15%**	61.98%	1991	South Africa

This documents contains certain disclosures required under the guidelines of the annual public disclosures required by Islamic banks. The period covered is from 1 January 2012 to 31 December 2012.

2 FINANCIAL HIGHLIGHTS

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

EARNINGS (US$ Millions)	***2012***	*2011*	*2010*	*2009*	*2008*
Total Operating Income	**880**	730	659	634	586
Net Operating Income	**422**	344	316	325	314
Net Income	**235**	212	193	167	201
Net Income Attributable to Equity Holders of the Parent	**133**	118	106	92	114
Basic and diluted earnings per share - US cents	**13.21**	11.75	10.50	9.04	11.21
FINANCIAL POSITION (US$ Millions)					
Total Assets	**19,055**	17,154	15,878	13,166	10,920
Total Financing and Investments	**14,319**	11,818	11,391	9,431	8,088
Total Deposits	**16,398**	14,680	13,571	10,999	8,872
Total Owners' Equity	**1,968**	1,799	1,817	1,737	1,550
Equity Attributable to Parent's Shareholders	**1,294**	1,203	1,224	1,214	1,131
CAPITAL (US$ Millions)					
Authorised	**1,500**	1,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	**1,014.5**	869.6	790.5	744.0	697.5
PROFITABILITY					
Return on Average Owner's Equity	**12.5%**	11.7%	10.9%	10.2%	13.0%
Return on Average Parent's Shareholders Equity *	**10.7%**	9.7%	8.7%	7.8%	10.0%
Return on Average Assets	**1.3%**	1.3%	1.3%	1.4%	1.9%
Operating Expenses to Operating Income	**52.1%**	52.8%	52.0%	48.7%	46.4%
FINANCIAL POSITION					
Owner's Equity to Assets Ratio	**10.3%**	10.5%	11.4%	13.2%	14.2%
Total Financing and Investments as a Multiple of Equity (times)	**7.3**	6.6	6.3	5.4	5.2
Net Book Value per Share (US$)	**1.29**	1.20	1.22	1.20	1.11
OTHER INFORMATION					
Total Number of Employees	**9,398**	9,021	8,503	7,250	6,746
Total Number of Branches	**424**	399	370	289	283

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

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:

	31 December 2012		*31 December 2011*	
	Tier 1	***Tier 2***	*Tier 1*	*Tier 2*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Tier 1 Capital Components				
Issued and fully paid up ordinary shares	**1,006,000**	-	862,231	-
Disclosed reserves				
Legal / statutory reserves	**78,687**	-	65,384	-
Share premium	**16,352**	-	16,420	-
Others	**(21,702)**	-	102,102	-
Retained profit brought forward	**217,892**	-	167,584	-
Unrealized gains arising from fair valuing equities (45% only)	**149**	-	-	-
Non-controlling interest in consolidated subsidiaries	**673,757**	-	596,022	-
Less:				
Goodwill	**93,785**	-	76,593	-
Unrealized gross losses arising from fair valuing equity securities	**47,840**	-	46,515	-
Tier 1 Capital before PCD deductions	**1,829,510**	**-**	1,686,635	**-**
Tier 2 Capital Components				
Asset revaluation reserve - Property, plant, and equipment (45% only)	**-**	**118**	-	-
Unrealized gains arising from fair valuing equities (45% only)	**-**	**19,773**	-	16,165
Profit equalization reserve	**-**	**9,444**	-	8,034
Investment risk reserve	**-**	**98,429**	-	93,653
Tier 2 Capital before PCD deductions	**-**	**127,764**	-	117,852
Total Available Capital	**-**	**1,957,274**	-	1,804,487

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)

	31 December 2012		*31 December 2011*	
	Tier 1	***Tier 2***	*Tier 1*	*Tier 2*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Deduction				
Investment in insurance entity greater than or equal to 20%	**(4,136)**	**(4,136)**	(4,114)	(4,114)
Net Available Capital	**1,825,374**	**123,629**	1,682,521	113,738
TOTAL ELIGIBLE CAPITAL		**1,949,003**		1,796,259

Table – 2. Capital requirement for different type of risks (PD - 1.3.18, 1.3.19)
The following table summarises the capital requirements for credit risk, market risk and operational risk as of:

	31 December 2012		*31 December 2011*	
	Risk weighted assets	***Minimum capital requirements***	*Risk weighted assets*	*Minimum capital requirements*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Credit Risk	**8,227,452**	**987,294**	6,561,714	787,406
Market Risk	**915,231**	**109,828**	867,070	104,048
Operational Risk	**1,411,561**	**169,387**	1,264,498	151,740
	10,554,244	**1,266,509**	8,693,282	1,043,194

Table – 3. Capital requirement by type of Islamic financing contracts (PD-1.3.17)
The following table summarises the capital requirements by type of Islamic financing contracts as of:

	31 December 2012		*31 December 2011*	
	Risk weighted assets	***Minimum capital requirements***	*Risk weighted assets*	*Minimum capital requirements*
	US$ '000	***US$ '000***	*US$ '000*	*US$ '000*
Islamic financing contracts				
Receivables	**3,966,561**	**475,987**	5,950,637	714,076
Mudaraba and Musharaka financing	**519,265**	**62,312**	280,206	33,625
Ijarah Muntahia Bittamleek	**248,911**	**29,869**	279,458	33,535
	4,734,737	**568,168**	6,510,301	781,236

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:

	31 December 2012	*31 December 2011*
Total capital ratio	**18.47%**	19.69%
Tier 1 capital ratio	**17.30%**	18.58%

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 form the local requirements of the countries in which the subsidiaries operate, as of:

	31 December 2012		*31 December 2011*	
	Tier 1 capital ratio	***Total capital ratio***	*Tier 1 capital ratio*	*Total capital ratio*
Head Office	**31%**	**31%**	42%	42%
Banque Al Baraka D'Algerie	**39%**	**40%**	29%	30%
Al Baraka Islamic Bank *	**18%**	**18%**	17%	17%
Al Baraka Bank Tunis	**23%**	**23%**	25%	25%
Al Baraka Bank Egypt	**19%**	**19%**	21%	21%
Al Baraka Bank Lebanon	**20%**	**20%**	29%	30%
Jordan Islamic Bank	**18%**	**18%**	21%	21%
Al Baraka Turk Participation Bank	**14%**	**14%**	16%	16%
Al Baraka Bank Limited	**24%**	**25%**	28%	28%
Al Baraka Bank Sudan	**11%**	**11%**	17%	19%
Al Baraka Bank Syria	**14%**	**15%**	32%	32%

* These ratios represents the consolidated ratios and Al Baraka Pakistan has tier 1 capital ratio of 30% (2011: 34%) and total capital ratio of 30% (2011:34%).

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

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

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

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

Nationality/ Incorporation	***31 December 2012 % holding***	*31 December 2011 % holding*
Bahraini	**26.01**	25.91
Saudi	**42.71**	44.96
Cayman Islands	**19.33**	19.33
Emirati	**8.52**	6.24
Kuwaiti	**1.09**	1.13
Others	**2.34**	2.43

4 RISK MANAGEMENT

The Group's risk management strategies have been effectively implemented and the objectives outlined at the beginning of year 2011 across subsidiaries were successfully achieved. The Group is striving to bolster and instil the best practices of risk management in subsidiaries' risk management functions for the next reporting period by ensuring prudent implementation of risk management policies which entails risk identification, limit controls, monitoring and reporting.

The Group's risk management has the following objectives:

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

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

c. Professionally qualified staff and ongoing credit training.

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

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

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

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

a) Liquidity risk

The liquidity management policy at a minimum includes the following:

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

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

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

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

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

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

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

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

4 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

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

h. Establish a framework for the composition of assets.

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

Table – 7. Liquidity Ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

	31 December 2012	*31 December 2011*
Short term assets to short term liabilities	**78%**	86%
Liquid assets to total assets	**25%**	32%

b) Credit risk

General credit policies and guiding principles

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

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

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

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

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

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

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

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

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

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

4 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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

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

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

	31 December 2012				*31 December 2011*			
	Self financed		***Financed by IAH***		*Self financed*		*Financed by IAH*	
	Total gross credit exposure US$ '000	****Average gross credit exposure over the year US$ '000***	***Total gross credit exposure US$ '000***	****Average gross credit exposure over the year US$ '000***	*Total gross credit exposure US$ '000*	**Average gross credit exposure over the year US$ '000*	*Total gross credit exposure US$ '000*	**Average gross credit exposure over the year US$ '000*
Funded Exposure								
Receivables	**4,730,290**	**4,384,945**	**5,732,211**	**5,304,102**	3,866,518	3,525,948	4,346,539	4,684,001
Mudaraba and Musharaka financing	**473,187**	**428,714**	**480,367**	**463,810**	457,105	392,581	493,830	527,093
Investments	**924,761**	**776,455**	**1,258,993**	**1,177,784**	964,652	926,974	1,125,601	1,080,010
Ijarah Muntahia Bittamleek	**322,250**	**295,314**	**397,369**	**367,366**	243,152	208,661	320,569	295,986
Other assets	**78,091**	**111,120**	**74,155**	**93,592**	83,153	97,727	82,696	81,164
Unfunded Exposure								
Commitments and contingencies	**4,753,594**	**4,953,716**	**-**	**-**	4,696,414	4,567,709	-	-
	11,282,173	**10,950,264**	**7,943,095**	**7,406,653**	10,310,994	9,719,600	6,369,235	6,668,254

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

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 31 December 2012, broken down into significant areas by major types of credit exposure:

	Self financed				*Financed by IAH*			
	Middle East US$ '000	***North Africa US$ '000***	***Europe US$ '000***	***Others US$ '000***	***Middle East US$ '000***	***North Africa US$ '000***	***Europe US$ '000***	***Others US$ '000***
Receivables	**1,430,948**	**490,337**	**2,670,772**	**138,233**	**2,653,778**	**425,964**	**2,336,523**	**315,946**
Mudaraba and Musharaka financing	**297,692**	**46,175**	**67,126**	**62,194**	**196,387**	**54,330**	**-**	**229,650**
Investments	**469,117**	**17,647**	**293,100**	**144,897**	**1,063,940**	**4,596**	**-**	**190,457**
Ijarah Muntahia Bittamleek	**172,601**	**119,509**	**23,141**	**6,999**	**292,207**	**83,771**	**195**	**21,196**
Other Assets	**42,439**	**14,434**	**7,278**	**13,940**	**33,717**	**10,563**	**11,171**	**18,704**
	2,412,797	**688,102**	**3,061,417**	**366,263**	**4,240,029**	**579,224**	**2,347,889**	**775,953**

The following table summarises the geographic distribution of gross funded exposure as of 31 December 2011, broken down into significant areas by major types of credit exposure:

	Self financed				*Financed by IAH*			
	Middle East US$ '000	*North Africa US$ '000*	*Europe US$ '000*	*Others US$ '000*	*Middle East US$ '000*	*North Africa US$ '000*	*Europe US$ '000*	*Others US$ '000*
Receivables	1,116,660	506,330	2,100,978	142,550	1,968,093	368,664	1,686,894	322,888
Mudaraba and Musharaka financing	315,068	39,233	54,114	48,690	257,138	34,008	-	202,684
Investments	458,654	12,448	277,049	216,501	909,558	-	-	216,043
Ijarah Muntahia Bittamleek	141,933	84,286	10,026	6,907	239,587	56,751	1,688	22,543
Other Assets	39,292	25,982	1,991	15,888	37,991	17,841	2,885	23,979
	2,071,607	668,279	2,444,158	430,536	3,412,367	477,264	1,691,467	788,137

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 31 December 2012:

	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	**393,242**	**629,787**	**-**	**-**	**715,739**	**1,032,046**	**-**	**23,403**	**-**	**-**	**57,644**	**-**	**1,166,625**	**1,685,236**
Claims on multi-lateral development banks	**3,850**	**14,603**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,850**	**14,603**
Claims on investment firms	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Claims on banks	**167,099**	**332,314**	**16,948**	**67,383**	**37,907**	**34,416**	**-**	**43,483**	**-**	**-**	**42,311**	**-**	**264,265**	**477,596**
Claims on corporates	**3,547,314**	**2,939,254**	**5,319**	**35,818**	**-**	**11,621**	**34,107**	**167,926**	**-**	**-**	**4,443,432**	**-**	**8,030,172**	**3,154,619**
Claims on retail	**588,728**	**1,686,320**	**-**	**222**	**-**	**-**	**288,143**	**157,759**	**-**	**-**	**210,207**	**-**	**1,087,078**	**1,844,301**
Past dues receivables	**30,057**	**129,933**	**-**	**10,885**	**-**	**-**	**-**	**4,798**	**-**	**-**	**-**	**-**	**30,057**	**145,616**
Equity investment	**-**	**-**	**327,826**	**71,291**	**97,700**	**78,022**	**-**	**-**	**-**	**-**	**-**	**-**	**425,526**	**149,313**
Investment in Funds	**-**	**-**	**-**	**-**	**31,819**	**19,860**	**-**	**-**	**-**	**-**	**-**	**-**	**31,819**	**19,860**
Specialized Lending	**-**	**-**	**123,094**	**294,768**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**123,094**	**294,768**
Other assets	**-**	**-**	**-**	**-**	**41,596**	**83,028**	**-**	**-**	**78,091**	**74,155**	**-**	**-**	**119,687**	**157,183**
Total	**4,730,290**	**5,732,211**	**473,187**	**480,367**	**924,761**	**1,258,993**	**322,250**	**397,369**	**78,091**	**74,155**	**4,753,594**	**-**	**11,282,173**	**7,943,095**

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 2011:

	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*
	US$ '000		*US$ '000*		*US$ '000*		*US$ '000*		*US$ '000*		*US$ '000*		*US$ '000*	
Claims on sovereigns	65,712	53,889	-	-	628,669	758,370	-	18,971	-	-	58,743	-	753,124	831,230
Claims on multi-lateral development banks	2,642	16,820	-	-	-	-	-	-	-	-	-	-	2,642	16,820
Claims on investment firms	177	-	-	-	-	-	-	-	-	-	-	-	177	-
Claims on banks	240,408	425,197	238,383	51,372	122,836	197,958	-	35,437	-	-	196,871	-	798,498	709,964
Claims on corporates	2,847,567	2,317,003	12,153	8,538	-	10,481	60,095	84,076	-	-	4,164,099	-	7,083,914	2,420,098
Claims on retail	690,129	1,444,125	-	-	-	-	182,897	181,816	-	-	276,701	-	1,149,727	1,625,941
Past dues receivables	19,883	89,505	-	-	-	520	160	269	-	-	-	-	20,043	90,294
Equity investment	-	-	121,755	73,824	101,764	49,611	-	-	-	-	-	-	223,519	123,435
Investment in Funds	-	-	-	-	66,618	25,314	-	-	-	-	-	-	66,618	25,314
Specialized Lending	-	-	84,814	360,096	-	-	-	-	-	-	-	-	84,814	360,096
Other assets	-	-	-	-	44,765	83,347	-	-	83,153	82,696	-	-	127,918	166,043
Total	3,866,518	4,346,539	457,105	493,830	964,652	1,125,601	243,152	320,569	83,153	82,696	4,696,414	-	10,310,994	6,369,235

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

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.

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

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

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

The following table summarises the total past due, non performing and neither past due nor non performing Islamic financing contracts and aging of non performing Islamic financing contracts disclosed by counterparty type as of 31 December 2012:

					Aging of non performing Islamic financing contracts		
	Total US$ '000	*Neither past due nor non performing US$ '000*	*Past due but performing US$ '000*	*Non performing Islamic financing contracts US$ '000*	*90 days to 1 year US$ '000*	*1 year to 3 years US$ '000*	*Over 3 years US$ '000*
Sovereign	**1,040,093**	**1,039,738**	**355**	**-**	**-**	**-**	**-**
Bank	**1,453,394**	**1,450,605**	**-**	**2,789**	**2,228**	**-**	**561**
Investment Firms	**192,705**	**155,708**	**-**	**36,997**	**-**	**155**	**36,842**
Corporates	**5,898,080**	**5,525,352**	**37,878**	**334,850**	**110,688**	**101,888**	**122,274**
Retail	**3,426,260**	**3,131,783**	**91,326**	**203,151**	**61,671**	**98,987**	**42,493**
	12,010,532	**11,303,186**	**129,559**	**577,787**	**174,587**	**201,030**	**202,170**

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 2011:

	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	160,971	158,617	2,354	-	-	-	-
Bank	822,866	822,305	-	561	-	-	561
Investment Firms	191,647	146,489	-	45,158	5,218	18,037	21,903
Corporates	5,458,143	5,145,255	23,389	289,499	69,021	104,549	115,929
Retail	3,066,030	2,777,507	108,389	180,134	62,548	87,701	29,885
	9,699,657	9,050,173	134,132	515,352	136,787	210,287	168,278

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

The following table summarises the total specific provisions disclosed by counterparty type as of 31 December 2012:

	Specific provisions: ***Opening Balance US$ '000***	***Charges during the year US$ '000***	***Write-Back during the year US$ '000***	***Write-offs during the year US$ '000***	***Appropriation (to) from IAH during the year US$ '000***	***Foreign exchange translations/ others - net US$ '000***	***Balance at the end of the year US$ '000***
Bank	**2,650**	**1,777**	**-**	**-**	**-**	**(1,464)**	**2,963**
Investment Firms	**7,994**	**2,683**	**-**	**-**	**-**	**(196)**	**10,481**
Corporates	**270,529**	**96,852**	**(24,246)**	**(13,438)**	**(2,601)**	**1,700**	**328,796**
Retail	**103,342**	**20,494**	**(3,509)**	**(1,127)**	**6,547**	**(5,570)**	**120,177**
	384,515	**121,806**	**(27,755)**	**(14,565)**	**3,946**	**(5,530)**	**462,417**

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 2011:

	Specific provisions						
	Opening Balance US$ '000	*Charges during the year US$ '000*	*Write-Back during the year US$ '000*	*Write-offs during the year US$ '000*	*Appropriation from IAH during the year US$ '000*	*Foreign exchange translations/ others - net US$ '000*	*Balance at the end of the year US$ '000*
Bank	2,832	411	(290)	-	-	(303)	2,650
Investment Firms	3,440	4,883	-	(96)	-	(233)	7,994
Corporates	277,547	68,193	(38,687)	(26,822)	9,306	(19,008)	270,529
Retail	89,987	7,737	(2,662)	(728)	14,477	(5,469)	103,342
	373,806	81,224	(41,639)	(27,646)	23,783	(25,013)	384,515

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

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

	31 December 2012 US$ '000	*31 December 2011 US$ '000*
Opening Balance	**15,303**	12,128
Charges during the year	**5,583**	11,526
Write-Back during the year	**(311)**	(299)
Write-offs during the year	**(480)**	(12)
Foreign exchange translations/ others	**(1,885)**	(8,040)
Balance at the end of the year	**18,210**	15,303

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

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:

	31 December 2012			*31 December 2011*		
	Past due and non performing Islamic financing contracts US$ '000	***Specific provision US$ '000***	***General provision US$ '000***	*Past due and non performing Islamic financing contracts US$ '000*	*Specific provision US$ '000*	*General provision US$ '000*
Middle East	**329,049**	**261,065**	**17,170**	315,184	224,956	14,513
North Africa	**81,600**	**47,940**	**1,040**	65,091	37,955	322
Europe	**124,923**	**111,633**	**-**	91,109	84,923	602
Others	**171,774**	**41,779**	**-**	178,100	36,681	(134)
	707,346	**462,417**	**18,210**	649,484	384,515	15,303

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

	31 December 2012 US$ '000	*31 December 2011 US$ '000*
Renegotiated Islamic financing contracts	**86,435**	76,249

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.

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:

	31 December 2012 US$ '000	*31 December 2011 US$ '000*
Gross positive fair value of contracts	**14,319,428**	11,817,966
Netting Benefits	**-**	-
Netted Current Credit Exposure	**14,319,428**	11,817,966
Collateral held:		
Cash	**518,222**	532,164
Others	**4,235,862**	3,174,853
Real Estate	**10,327,654**	8,125,478
	15,081,738	11,832,495

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:

	31 December 2012		*31 December 2011*	
	Equity position risk US$ '000	***Foreign exchange risk US$ '000***	*Equity position risk US$ '000*	*Foreign exchange risk US$ '000*
Risk weighted exposure (RWE)	**-**	**915,231**	888	866,182
Capital requirements (12%)	**-**	**109,828**	107	103,942
Maximum value of RWE	**1,750**	**1,047,826**	6,988	1,054,250
Minimum value of RWE	**-**	**915,231**	888	866,182

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.

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 31 December 2012:

	Total gross exposure US$ '000	***Average gross exposure over the year US$ '000***	***Publicly held US$ '000***	***Privately held US$ '000***	***Capital requirement US$ '000***
Sukook and similar items	**1,841,380**	**1,593,497**	**774,165**	**1,067,215**	**13,788**
Equity Investment	**162,273**	**179,755**	**78,514**	**83,759**	**44,834**
Managed funds	**52,272**	**50,241**	**31,529**	**20,743**	**6,528**
	2,055,925	**1,823,493**	**884,208**	**1,171,717**	**65,149**

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 2011:

	Total gross exposure US$ '000	*Average gross exposure over the year US$ '000*	*Publicly held US$ '000*	*Privately held US$ '000*	*Capital requirement US$ '000*
Sukook and similar items	1,708,751	1,566,382	76,803	1,631,948	4,775
Equity Investment	191,683	183,696	79,213	112,470	25,196
Managed funds	61,263	127,112	40,020	21,243	19,153
	1,961,697	1,877,190	196,036	1,765,661	49,124

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

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

	31 December 2012 US$ '000	*31 December 2011 US$ '000*
Cumulative realised gains arising from sales or liquidations in the reporting year	**310**	8,323
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	**(3,899)**	(10,593)
Unrealised gross losses included in Tier 1 Capital	**(47,840)**	(46,515)
Unrealised gains included in Tier 1 Capital (45% only)	**149**	-
Unrealised gains included in Tier 2 Capital (45% only)	**19,773**	16,165

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.

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

Table - 20. Operational risk exposure (PD-1.3.30 (a), (b) & (c))
The following table summarises the amount of exposure subject to basic indicator approach of operational risk and related capital requirements:

	Gross income			
	2012	*2011*	*2010*	*2009*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
Total Gross Income	**879,770**	729,987	648,741	633,513

	2012	*2011*
Indicators of operational risk		
Average Gross income (US$ '000)	**752,833**	670,747
Multiplier	12.5	12.5
	9,410,408	8,384,338
Eligible Portion for the purpose of the calculation	15%	15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US$ '000)	**1,411,561**	1,257,651

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

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

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

The Group's policy also lays out the Operational Risk Management structure and the roles of all staff associated with operational risk. The major functional roles are defined for:

− Risk Management Committee
− Head of Credit and Risk Management
− Head of Operational, Liquidity and Market Risk
− Various departments

4 RISK MANAGEMENT (continued)

d) Operational Risk (continued)

Operational Risk Management Framework (continued)

The Risk Control Self Assessment exercise is viewed as an important part of the Group's Operational Risk Framework. It is proposed to be conducted every year by the Risk Management Department in coordination with the Internal Audit Department. In addition, the assessment shall also be based on the severity of the residual risks identified through Internal Audit reviews.

The Key processes identified in a Risk Control Self Assessment are:

- Risk and Control Identification Process
- Measurement of Operational Risk Exposures
- Identifying Unacceptable Risk Exposures
- Risk Action Plans.

The Operational Risk framework will be subject to periodic internal audit.

5 CORPORATE GOVERNANCE

Code of business conduct and ethics for members of the board of directors

Purpose:
The primary objectives of the following Code of Business Conduct and Ethics (the “Code”) is to enable each Director to focus on areas of ethical risks, to help them recognize and deal with ethical issues, to provide mechanisms for reporting unethical conduct, and to foster a culture of honesty and accountability within the Group.

Conflict of interest:
Each Director must avoid any situation which may give rise to a conflict between their interests and those of the Group. Any situation which either will or may involve, a conflict of interest should be disclosed promptly to the Board of Directors in writing in advance of the meeting or verbally in the meeting itself. The concerned Director shall abstain from any discussion or decision on the matter of question. A conflict of interest can occur when a Director’s personal interest is adverse to, or appears to be, adverse to the interests of the Group. Conflicts of interest also arise when a Director, or a member of their immediate family, receives an improper personal benefit as a result of their position as a Director of the Group. Common conflicts which Directors must endeavor to avoid include, but are not limited to, the following:

1 Engagement in any conduct or activity which may conflict with the best interests of the Group, or which may disrupt or impair Group’s standing with any person or entity with whom or which the Group has to proposes to enter into a business or contractual relationship.
2 Acceptance of compensation (in any form) for services performed in relation to the Group from any source other than from the Group.
3 Acceptance by them or any member of their family of gifts from persons or entities who or which deal with the Group where acceptance of such gifts could generate a sense of obligation and thereby create a potential conflict of interest.
4 Utilization of the Group's assets, employees or information for personal use without obtaining the prior approval of the Board of Directors.

Confidentiality:
Confidential information includes all non-public information relating to the Group, whether in written or in oral form. Directors are under continuous obligation to maintain the confidentiality of information entrusted directly to them by the Group and any other confidential information about the Group which comes to them, from whatever source, in their capacity as a Director. Directors may disclose confidential information if such disclosures are mandated by the law.

Compliance with Rules, Laws and Regulation:
Directors shall, at all times, comply with all laws, rules and regulations applicable to the Group, including insider trading laws.

Remuneration
The Group incentivise its Board members, executives and senior management and its Shari'a Board members in accordance to the remuneration policies and procedures approved by the Board. This policy links the incentives to the performance appraisal. The Group's corporate governance policy details the performance appraisal for the Board members.

The following table summarises remuneration of the Group’s Directors, Shari'a Committee members, President & Chief Executive, Deputy Chief Executive and the Department Heads at Group Headquarters during the year ended:

5 CORPORATE GOVERNANCE (continued)

	31 December 2012 ***US$ '000***	*31 December 2011* *US$ '000*
Directors remuneration	**1,000**	750
Executive Management		
Salary and other remuneration, including meeting allowance	**3,177**	2,984
Fees	**82**	80
Bonuses	**777**	1,746
Benefits-in-kind	**863**	699
	4,899	5,509
Shari'a Committee Members fee and remuneration	**367**	258
	6,266	6,517

Complaints

The Group has adopted a special media approach to ensure that all the Group's stakeholders are well channelled through to the management. The contracted special media watch detect any news or complaints related to the Group and bring them to the attention of the Group's executive management.

Related party transactions

Related party transactions are governed by the Group corporate governance policy and individual subsidiaries' local rules and regulations. All related party transactions were conducted at arm's length.

External Auditors

The Board Audit Committee has continued to review the work carried out by the external auditors during the year, in particular timeliness of reporting, quality of work and related fees. Overall the Audit Committee believes that the work of the external auditors has been of a sufficiently high standard and that the fees are reasonable and therefore recommended to the Board and accordingly to the annual general meeting (AGM) to re-appoint the external auditors as auditor for the 2012 financial year. The AGM has approved the reappointment of the external auditor for the year 2012 on 21 March 2012 and the related regulatory approval were taken.

6 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES

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

Table – 21. Equity of IAH (PD-1.3.33 (a), (b) & (c))

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

	31 December 2012 ***US$ '000***	*31 December 2011* *US$ '000*
IAH - Banks	**214,622**	287,751
IAH - Non-banks	**11,274,356**	########
Profit equalisation reserve (PER) - Banks	**180**	228
Profit equalisation reserve (PER) - Non-banks	**9,264**	7,806
Investment risk reserve (IRR) - Banks	**1,873**	2,654
Investment risk reserve (IRR) - Non-banks	**96,556**	90,999
Cumulative changes in fair value attributable to IAH	**7,777**	5,313
	11,604,628	########

6 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES (continued)

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

	2012	*2011*
	%	%
Return on average IAH Equity	**5.6**	5.4
Return on average IAH Assets	**7.9**	7.7

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

	31 December 2012	*31 December 2011*
	%	%
IAH - Banks	**2**	3
IAH - Non-banks	**98**	97

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

Table – 24. IAH by Islamic financing product type (PD-1.3.33 (h))

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

	31 December 2012	*31 December 2011*
	%	*%*
Receivables	**87**	84
Mudaraba and Musharaka financing	**7**	10
Ijarah Muntahia Bittamleek	**6**	6

Table – 25. IAH by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	31 December 2012	*31 December 2011*
	%	*%*
Sovereign	**2**	2
Bank	**9**	10
Investment Firms	**1**	1
Corporates	**15**	16
Retail	**73**	71

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

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

6 EQUITY OF INVESTMENT ACCOUNTHOLDERS DISCLOSURES (continued)

Table – 26. IAH by type of Assets (PD-1.3.33 (r) & (s))

The following table summarises the types of assets in which the funds are invested, the actual allocation among various types of assets and the changes in the asset allocation in the last six months of the year ended:

	31 December 2012			*31 December 2011*		
	Opening Actual Allocation US$ '000	***Movement US$ '000***	***Closing Actual Allocation US$ '000***	*Opening Actual Allocation US$ '000*	*Movement US$ '000*	*Closing Actual Allocation US$ '000*
Cash and balances with banks	**3,374,610**	**141,153**	**3,515,763**	3,434,903	555,744	3,990,647
Receivables	**5,195,684**	**536,527**	**5,732,211**	4,883,977	(537,438)	4,346,539
Mudaraba and Musharaka financing	**461,489**	**18,878**	**480,367**	538,055	(44,225)	493,830
Investments	**1,117,426**	**141,567**	**1,258,993**	1,094,995	30,609	1,125,604
Ijarah Muntahia Bittamleek	**352,412**	**44,957**	**397,369**	287,340	33,228	320,568
Other assets	**213,808**	**6,117**	**219,925**	205,278	(16,548)	188,730
	10,715,429	**889,199**	**11,604,628**	10,444,548	21,370	10,465,918

Table – 27. Treatment of Assets financed by Equity of IAH (PD-1.3.33 (v))

The following table summarises the treatment of assets financed by IAH in the calculation of risk weighted assets (RWA) for capital adequacy purposes as of:

	31 December 2012			*31 December 2011*		
Type of Claims	***RWA US$ '000***	***RWA for Capital adequacy purposes US$ '000***	***Capital Charges US$ '000***	*RWA US$ '000*	*RWA for Capital adequacy purposes US$ '000*	*Capital Charges US$ '000*
Claims on Sovereign	**573,041**	**171,912**	**20,629**	308,069	92,421	11,091
Claims on PSEs	**3,412**	**1,023**	**123**	3,284	985	118
Claims on Banks	**67,781**	**20,334**	**2,440**	269,538	80,861	9,703
Claims on Corporates	**5,206,785**	**1,562,035**	**187,444**	3,727,770	1,118,331	134,200
Regulatory Retail Portfolio	**762,486**	**228,746**	**27,450**	672,041	201,612	24,193
Mortgage	**780,779**	**234,234**	**28,108**	587,385	176,216	21,146
Past due facilities	**157,308**	**47,192**	**5,663**	120,301	36,090	4,331
Investment in securities	**240,636**	**72,191**	**8,663**	197,142	59,143	7,097
Holding of Real Estates	**187,462**	**56,239**	**6,749**	186,584	55,975	6,717
Other Assets	**659,690**	**197,907**	**23,749**	525,475	157,643	18,917
	8,639,380	**2,591,813**	**311,018**	6,597,589	1,979,277	237,513

7 OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

Off-balance sheet equity of investment accountholders funds are invested and managed in accordance with Shari'a requirements.

The Group as fund manager will manage and administer the investment account in a proper, diligent and efficient manner in accordance with applicable laws and local regulations.

The Group has appropriate procedures and controls in place commensurate to the size of its portfolio which includes:

(a) Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk management systems and procedures and controls designed to mitigate and manage such risks;

(b) Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and

(c) Ensuring that the Group has the requisite level of knowledge and experience for the tasks that is undertaken and is competent for the work undertaken.

Table – 28. Off-balance sheet equity of IAH by Islamic Financing product type (PD-1.3.33 (h))

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

	31 December 2012 %	*31 December 2011 %*
Receivables	**29**	34
Mudaraba and Musharaka financing	**71**	66

Table – 29. Off-balance sheet equity of IAH by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	31 December 2012 %	*31 December 2011 %*
Sovereign	**1**	2
Investment Firms	**5**	-
Bank	**38**	47
Corporates	**14**	15
Retail	**42**	36

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.