Al Baraka Banking Group B.S.C.

UNIFIED SHARI'A SUPERVISORY BOARD REPORT, REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

alBaraka

In the name of Allah, The Beneficent, The Merciful, Ever Merciful

Unified Shari'a Supervisory Board Report
Al Baraka Banking Group B.S.C.
For the year ended 31 December 2013

Praise be to Allah and peace be upon our Prophet Mohamed, His Apostles and Companions

To: Al Baraka Banking Group Shareholders

May peace and Allah's Mercy and Blessings Be upon You

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

First:

We have conducted six meetings during 2013, two of which were conducted at the premises of Al Baraka Banking Group's subsidiaries in which we met the subsidiaries' Shari'a Board members, Shari'a auditors and employees and conducted several small seminars and replied to many of the employees and customers' inquiries. In addition, we have made sure that the operations of the transactions are conducted in compliance with Shari'a rules and principles, the other four meetings were conducted at our premises in Jeddah, in which we studied Shari'a audit reports prepared by the Group's Shari'a Audit for the year ended 31 December 2013 and gave few Shari'a related comments on those reports. These reports were rectified through coordination between Shari'a Audit and the relative local subsidiaries' Shari'a Boards. In addition, the executive committee of the Unified Shari'a Supervisory Board conducted several meetings in which a number of commercial contracts and agreements signed by the Financial Institutions Department in the Group with the subsidiaries and other financial institutions and organizations has been reviewed.

Second:

We have reviewed the principles applied by the Group and reviewed the 2013 Shari'a reports issued by the Group Units' Shari'a Supervisory Boards. We have also reviewed their financial statements when needed. In addition, we examined the Group's financial position as of 31 December 2013 and Statement of Income and their notes for the year then ended. We have queried from some of the Technical's on the points that need explanation and statement. We have also reviewed the process of calculating

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ص ب ١٨٨٢، المنامة
مملكة البحرين

Zakah in accordance with the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by Al Baraka Symposium1/31 and by the Unified Shari'a Supervisory Board.

Third:

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

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

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

In our opinion:

1. The Contracts, transactions and dealings entered into by the Group and its Units during the year ended 31 December 2013 are made in compliance with Shari'a Rules and Principles.

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

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

4. The attached Zakah calculation was prepared in accordance with the provisions and principles of Islamic Shari'a according to the Net Invested Fund Method in accordance to the Shari'a Standard number (35) and the Financial Accounting Standard number (9) issued by the Accounting and Auditing Organization for Islamic financial Institutions and according to what was approved by the Unified Shari'a Supervisory Board. Since the Group and the Units are not empowered to pay Zakah, shareholders should pay their share of Zakah. The Zakah per share is 0.67 US cents. In case of unavailability of liquidity, it is allowed to postponed the Zakah and become a debt until the liquidity become available.

Praise be to Allah

Issued on 13 Rabi'a Al Thani 1435 H, corresponding to 13 February 2014 AD.

Shaik Dr. Abdul Sattar Abu Ghuddah

Chairman

Shaikh Abdulla bin Sulaiman Al Mannea

Member

Shaikh Dr. Abdullatif Al Mahmood

Member

Shaikh Dr. Abdulaziz Al Fawzan

Member

Dr. Ahmed Mohiyeldin

Member

Zakah Calculation for the year ended 31 December 2013

	US$ '000
Equity Attributable to Shareholders	1,298,651
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt, Al Baraka Bank Sudan and Itqan Capital	(155,253)
Net Zakatable Equity Attributable to Shareholders	**1,143,398**
Less:	
Musharaka underlined by unzakatable assets	(55,345)
Investment in Islamic Sukook underlined by unzakatable assets	(253,269)
Ijarah Muntahia Bittamleek	(222,241)
long-term investment in real estate	(35,459)
Properties and equipment	(246,000)
Intangible assets	(95,684)
Investment in Associates	(20,380)
Prepayments	(12,483)
Deferred tax asset	(191)
Add:	
Shareholders share on Zakatable Assets by Associates	12,566
Borrowing to finance Unzakatable Assets	55,945
Sale of long-term investment in real estate during the year	518
Deferred tax liability	284
Zakatable amount	**271,659**
Zakah Percentage	2.5770%
Total Zakah due	**7,001**
Number of Shares (thousands)	1,040,168
Zakah per share (US$ cents)	**0.67**

Directors' Report

(All figures in US Dollars unless otherwise stated)

Global and Regional Economies

The majority of the developed and the more sizeable developing countries' economies are beginning to show growth. In particular, the major drivers of the world economy - the United States, China, Japan and the eurozone countries of Europe - all appear to have turned the corner and to be facing a more positive future in terms of growth. Both the US and China performed well in the third quarter of 2013 and momentum appears to be building towards stronger economic performance to come, with the US achieving a 1.8% growth rate for the year as a whole and China overcoming a setback in the middle of the year to end with a 7.7% growth rate. The eurozone, although recording an aggregate 0.4% decline in annual GDP (with a marked diversity of results from its component members) looks set to return to positive growth in 2014. Japan's economic recovery continues, although not without setbacks, and is estimated to have ended the year with 1.7% growth. Among other important economies, Russia's grew by 1.5%, South Korea's by 2.7% and Canada's by 1.7%, while Britain finally seems to have emerged from its long stagnation, achieving 1.5% overall growth for the year, with 2.7% expansion projected for 2014.

The emerging symbiotic relationship between developing and developed world, as the economies begin to move into positive territory in tandem, is exemplified in the economic performance of many of those countries in which ABG operates. Six out of the 12 economies recorded growth rates of 3.0% or above and it is likely that, when the final calculations have been made, three of the remaining six will prove to have grown by 2.0% or more in 2014.

Globally and regionally, the outlook is much brighter now than it appeared to be a year ago. Driven by a 5.2% surge in global trade, the world economy is now expected to grow by 2.7% in 2014. The likelihood of a strengthening US economy, a Chinese economy maintaining a growth rate above 7.0% and a gradual improvement in the eurozone economy, along with generally better prospects in most of the other major economies, certainly bodes well for the future.

2013 Review

The Group's share of total income from jointly financed contracts and investments, including its share as Mudarib, was $431 million, 6% higher than in 2012. Income from self financed contracts and investments and Mudarib share from managing off-balance sheet equity of investment account holders was 14% higher at $239 million. Including other operating income and revenues from banking services, the Group's total operating income was $909 million, 3% higher than the previous year. Total operating expenses also rose, however, by 7% to $489 million, resulting in a net income before provisions and taxation of $420 million, compared with $422 million in 2012. After allocation of prudential provisions and taxation, the net income for the year was $258 million, a rise of 10% compared with the $235 million earned in 2012.

An 8% rise in the customer accounts base, to $17.74 billion, together with other liabilities including long term borrowing at the subsidiary level, funded an expansion of the Group's banking assets. Growth occurred in all areas of the balance sheet except in the Musharaka financings, in Ijarah receivables and intangible and other assets. The Group's total assets at the end of the year stood at $20.97 billion, a 10% increase over 2012

Once again, we were pleased to note that the majority of our subsidiaries were able to report a positive result for the year. Of the nine units that recorded a net profit, eight had increased their net income or reversed an earlier negative result, in addition to which, of those three which made a loss, two of them reported a reduced loss since 2012.

In light of the Group's performance in 2013, the Board of Directors has recommended a cash dividend distribution to the shareholders of 3.5% of the paid up capital, amounting to $36.69 million, after a transfer of $14.45 million to the legal reserve, with the remainder of the net income, amounting to $93.37 million, being allocated to retained earnings. The Board has also recommended a bonus dividend of 1 share for every 23 shares held, to be allocated from retained earnings and amounting to $45.58 million. The Board has further recommended a remuneration distribution of $1.00 million, to be paid following the approval of shareholders at the Annual General Meeting.

Ownership of shares in ABG by Board Members and Executive Management (with the exception of that of the Chairman) is not material and no major trading of such shares took place during 2013. Details of shares held by Directors and members of the Executive Management are provided in the Notes to the Consolidated Financial Statements.

Looking Ahead...

As the global economy continues its gradual recovery we believe the accumulative positive effects will have an invigorating impact on the economies of the countries in which ABG have a presence. The potential dangers, from the OECD side, chiefly relate to the somewhat anaemic nature of the recovery in the EU - and especially the eurozone - which will in turn impact on the trade and service flows between Europe and the MENA countries, and the consequential impact of a likely tapering of the US quantitative easing programme on emerging market economies such as India, Turkey, South Africa and Brazil during 2014.

We congratulate our operating units for putting in a good performance in the face of many difficulties. The Group has once again shown that its ongoing strategy remains sound and capable of delivering consistent growth and profitability.

We regard the maintenance of a sound risk and corporate governance culture as a permanent and never-ending process at ABG. We will therefore continue the task of strengthening internal controls, risk management processes and procedures to ensure the continuous improvement in asset quality, whilst always seeking to achieve an optimum cost:benefit ratio in all Group units and thus to deliver consistent, increasing returns to our shareholders.

All of our units are actively involved in product development and will continue to introduce - and to share within the ABG family - new and innovative Shari'a compliant products and services designed to meet our customers' needs.

For Al Baraka Banking Group, as always we look to the future with one surety: that we go forward together with our customers, anticipating their needs and assisting them to build for the future in the knowledge that we stand behind them.

On behalf of the Board I should like to extend our thanks to Dr. Anwar Ibrahim, who resigned from the Board with effect from 16 July 2013, having served as a Member for nearly eight years. We are immensely grateful to Dr. Ibrahim for his wise guidance and devotion to ABG and the Group during his service.

In conclusion, I should like as always to extend, on behalf of the Board and Executive Management, our appreciation to our Shari'a Supervisory Board, the Central Bank of Bahrain, the Ministry of Commerce and Industry of Bahrain and all of our subsidiaries' regulatory authorities, for their support and guidance during 2013.

For and on behalf of the Board of Directors.

Saleh Abdullah Kamel
Chairman

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Baraka Banking Group B.S.C. ("the Bank") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' and management's responsibility for the consolidated financial statements

The Board of Directors and the management are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and for such internal control as the Board of Directors and the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In addition, the Board of Directors and the management are responsible for the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with both the Auditing Standards for Islamic Financial Institutions and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

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

Report on other regulatory requirements

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

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2013 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

Ernst + Young

23 February 2014
Manama, Kingdom of Bahrain

Al Baraka Banking Group B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	*2013* *US$ '000*	*2012* *US$ '000*
ASSETS			
Cash and balances with banks	4	**4,797,487**	3,927,583
Receivables	5	**10,818,219**	10,462,501
Mudaraba and Musharaka financing	6	**1,192,125**	953,554
Investments	7	**2,402,830**	2,183,754
Ijarah Muntahia Bittamleek	8	**942,048**	719,619
Property and equipment	9	**405,880**	386,496
Other assets	10	**408,970**	421,624
TOTAL ASSETS		**20,967,559**	19,055,131
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		**4,249,181**	3,820,735
Due to banks		**1,095,868**	972,280
Long term financing	11	**540,680**	12,796
Other liabilities	12	**698,999**	677,012
Total liabilities		**6,584,728**	5,482,823
EQUITY OF INVESTMENT ACCOUNTHOLDERS	13	**12,399,444**	11,604,628
OWNERS' EQUITY	14		
Share capital		**1,048,291**	1,014,475
Treasury shares		**(8,123)**	(8,475)
Share premium		**16,753**	16,352
Reserves		**131,684**	121,253
Cumulative changes in fair values		**(2,380)**	(3,636)
Foreign currency translations		**(232,928)**	(133,591)
Retained earnings		**263,086**	218,222
Proposed appropriations		**82,268**	69,323
Equity attributable to parent's shareholders		**1,298,651**	1,293,923
Non-controlling interest		**684,736**	673,757
Total owners' equity		**1,983,387**	1,967,680
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**20,967,559**	19,055,131

Saleh Abdullah Kamel
Chairman

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

Al Baraka Banking Group B.S.C.

CONSOLIDATED STATEMENT OF INCOME

Year Ended 31 December 2013

	Notes	*2013* *US$ '000*	*2012* *US$ '000*
Income			
Net income from jointly financed contracts and investments	15	**1,031,031**	1,018,482
Return on equity of investment accountholders before Group's share as a Mudarib		**(912,092)**	(874,470)
Group's share as a Mudarib	16	**311,935**	261,609
Return on equity of investment accountholders		**(600,157)**	(612,861)
Group's share of income from equity of accountholders (as a Mudarib and Rabalmal)		**430,874**	405,621
Mudarib share for managing off-balance sheet equity of investment accountholders		**2,958**	4,320
Net income from self financed contracts and investments	15	**236,067**	204,613
Profit on long term financing		**(12,342)**	-
Other fees and commission income	17	**179,098**	184,746
Other operating income	18	**72,829**	80,470
TOTAL OPERATING INCOME		**909,484**	879,770
Staff expenses		**293,898**	262,327
Depreciation and amortisation	19	**39,126**	35,299
Other operating expenses	20	**156,396**	160,440
TOTAL OPERATING EXPENSES		**489,420**	458,066
NET INCOME FOR THE YEAR BEFORE PROVISIONS, IMPAIRMENTS AND TAXATION		**420,064**	421,704
Provisions and impairments	21	**(65,796)**	(99,323)
NET INCOME BEFORE TAXATION		**354,268**	322,381
Taxation		**(96,489)**	(87,139)
NET INCOME FOR THE YEAR		**257,779**	235,242
Attributable to:			
Equity holders of the parent		**144,506**	133,028
Non-controlling interest		**113,273**	102,214
		257,779	235,242
Basic and diluted earnings per share - US cents	22	**13.90**	12.79

Saleh Abdullah Kamel Chairman	Adnan Ahmed Yousif Member of the Board and President and Chief Executive

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2013

	Notes	*2013* US$ '000	*2012* US$ '000
OPERATING ACTIVITIES			
Net income before taxation		**354,268**	322,381
Adjustments for:			
Depreciation and amortisation	19	**39,126**	35,299
Impairment of intangible assets	10 (a)	**-**	57
Depreciation on Ijarah Muntahia Bittamleek	15.4	**402,894**	100,106
Unrealised gain on equity and debt-type instruments at fair value through statement of income	15.3	**(283)**	(330)
Gain on sale of property and equipment	18	**(9,153)**	(17,332)
Gain on sale of investment in real estate	15.3	**(957)**	(2,426)
Gain on sale of equity type instruments at fair value through equity	15.3	**(891)**	(185)
Gain on sale of equity and debt-type instruments at fair value through statement of income	15.3	**(2,500)**	(125)
Gain on sale of associate	15.3	**(46)**	-
Income from associates	15.3	**(1,958)**	(1,600)
Provisions and impairments	21	**65,796**	99,323
Operating profit before changes in operating assets and liabilities		**846,296**	535,168
Net changes in operating assets and liabilities:			
Reserves with central banks		**(515,445)**	(340,999)
Receivables		**(403,398)**	(2,330,500)
Mudaraba and Musharaka financing		**(239,931)**	(12,461)
Ijarah Muntahia Bittamleek		**(625,323)**	(256,004)
Other assets		**(12,185)**	(38,643)
Customer current and other accounts		**428,441**	260,418
Due to banks		**123,588**	318,818
Other liabilities		**(5,023)**	(4,872)
Equity of investment accountholders		**793,585**	1,140,192
Taxation paid		**(81,157)**	(85,113)
Net cash from (used in) operating activities		**309,448**	(813,996)
INVESTING ACTIVITIES			
Net purchase of investments		**(212,232)**	(73,573)
Net purchase of property and equipment		**(44,321)**	(86,681)
Dividends received from associates		**1,197**	-
Net purchase of investment in associate		**(1,739)**	(8,014)
Net cash used in investing activities		**(257,095)**	(168,268)
FINANCING ACTIVITIES			
Long term financing		**536,912**	12,796
Dividends paid to equity holders of the parent		**(35,507)**	(30,434)
Net movement in treasury shares		**753**	239
Net changes in non-controlling interest		**(27,135)**	(15,799)
Net cash from (used in) financing activities		**475,023**	(33,198)
Foreign currency translation adjustments		**(172,917)**	(31,234)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**354,459**	(1,046,696)
Cash and cash equivalents at 1 January		**1,950,294**	2,996,990
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23	**2,304,753**	1,950,294

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Year Ended 31 December 2013

	Attributable to equity shareholders of the parent											
				Reserves								
	Share capital US$ '000	*Treasury shares US$ '000*	*Share premium US$ '000*	*Statutory reserve US$ '000*	*Other reserves US$ '000*	*Cumulative changes in fair values US$ '000*	*Foreign currency translations US$ '000*	*Retained earnings US$ '000*	*Proposed appropriations US$ '000*	*Total US$ '000*	*Non-controlling interest US$ '000*	*Total owners' equity US$ '000*
Balance at 1 January 2013	1,014,475	(8,475)	16,352	78,687	42,566	(3,636)	(133,591)	218,222	69,323	1,293,923	673,757	1,967,680
Dividends paid	-	-	-	-	-	-	-	-	(35,507)	(35,507)	-	(35,507)
Bonus shares issued (note 14)	33,816	-	-	-	-	-	-	-	(33,816)	-	-	-
Movement in treasury shares	-	352	401	-	-	-	-	-	-	753	-	753
Net movement in cumulative change in fair value	-	-	-	-	-	1,256	-	-	-	1,256	500	1,756
Net movement in other reserves	-	-	-	-	(4,020)	-	-	-	-	(4,020)	(2,502)	(6,522)
Foreign currency translation	-	-	-	-	-	-	(99,337)	-	-	(99,337)	(73,580)	(172,917)
Net income for the year	-	-	-	-	-	-	-	144,506	-	144,506	113,273	257,779
Transfer to statutory reserve	-	-	-	14,451	-	-	-	(14,451)	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	(36,690)	36,690	-	-	-
Proposed bonus shares	-	-	-	-	-	-	-	(45,578)	45,578	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(26,469)	(26,469)
Zakah paid by subsidiaries	-	-	-	-	-	-	-	(2,501)	-	(2,501)	(1,914)	(4,415)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	(422)	-	(422)	422	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	1,249	1,249
Balance at 31 December 2013	**1,048,291**	**(8,123)**	**16,753**	**93,138**	**38,546**	**(2,380)**	**(232,928)**	**263,086**	**82,268**	**1,298,651**	**684,736**	**1,983,387**

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

Al Baraka Banking Group B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Year Ended 31 December 2013

	Attributable to equity shareholders of the parent											
				Reserves								
	Share capital US$ '000	*Treasury shares US$ '000*	*Share premium US$ '000*	*Statutory reserve US$ '000*	*Other reserves US$ '000*	*Cumulative changes in fair values US$ '000*	*Foreign currency translations US$ '000*	*Retained earnings US$ '000*	*Proposed appropriations US$ '000*	*Total US$ '000*	*Non-controlling interest US$ '000*	*Total owners' equity US$ '000*
Balance at 1 January 2012	869,550	(7,319)	16,420	65,384	39,223	(10,910)	(112,163)	167,584	175,359	1,203,128	596,022	1,799,150
Dividends paid	-	-	-	-	-	-	-	-	(30,434)	(30,434)	-	(30,434)
Bonus shares issued (note 14)	144,925	-	-	-	-	-	-	-	(144,925)	-	-	-
Movement in treasury shares	-	(1,156)	(68)	-	-	-	-	1,463	-	239	-	239
Net movement in cumulative change in fair value	-	-	-	-	-	7,274	-	-	-	7,274	1,160	8,434
Net movement in other reserves	-	-	-	-	3,343	-	-	(1,261)	-	2,082	1,079	3,161
Foreign currency translation	-	-	-	-	-	-	(21,428)	-	-	(21,428)	(9,806)	(31,234)
Net income for the year	-	-	-	-	-	-	-	133,028	-	133,028	102,214	235,242
Transfer to statutory reserve	-	-	-	13,303	-	-	-	(13,303)	-	-	-	-
Proposed dividends	-	-	-	-	-	-	-	(35,507)	35,507	-	-	-
Proposed bonus shares	-	-	-	-	-	-	-	(33,816)	33,816	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(27,875)	(27,875)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	34	-	34	(34)	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	10,997	10,997
Balance at 31 December 2012	1,014,475	(8,475)	16,352	78,687	42,566	(3,636)	(133,591)	218,222	69,323	1,293,923	673,757	1,967,680

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

Al Baraka Banking Group B.S.C.

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

Year Ended 31 December 2013

	Cash *US$ '000*	*Sales receivables* *US$ '000*	*Mudaraba financing* *US$ '000*	*Investment in real estate* *US$ '000*	*Ijarah Muntahia Bittamleek* *US$ '000*	*Investments* *US$ '000*	*Others* *US$ '000*	*Total* *US$ '000*
Balance at 1 January 2013	57,403	84,056	206,123	34,220	-	153,856	63,137	598,795
Deposits	134,441	299,376	1,137,689	18,145	28,571	100,347	241,055	1,959,624
Withdrawals	(84,976)	(322,062)	(1,064,518)	(1,875)	(2,680)	(103,866)	(270,004)	(1,849,981)
Income net of expenses	-	10,805	3,087	654	2,099	5,430	437	22,512
Mudarib's share	-	(2,315)	(1)	(176)	(155)	(163)	(148)	(2,958)
Foreign exchange translations	-	-	-	(509)	-	4	(13,239)	(13,744)
Balance at 31 December 2013	**106,868**	**69,860**	**282,380**	**50,459**	**27,835**	**155,608**	**21,238**	**714,248**
Balance at 1 January 2012	17,189	105,361	200,702	35,310	-	126,381	38,185	523,128
Deposits	99,843	600,478	893,299	2,892	-	64,612	198,296	1,859,420
Withdrawals	(59,629)	(632,706)	(889,432)	(4,371)	-	(41,365)	(168,273)	(1,795,776)
Income net of expenses	-	13,769	1,556	445	-	8,210	2,574	26,554
Mudarib's share	-	(2,846)	(2)	(56)	-	(873)	(543)	(4,320)
Foreign exchange translations	-	-	-	-	-	(3,109)	(7,102)	(10,211)
Balance at 31 December 2012	57,403	84,056	206,123	34,220	-	153,856	63,137	598,795

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

1 ACTIVITIES

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

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

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

The consolidated financial statements were approved by the Board of Directors on 23 February 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

a. Basis of preparation

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

New accounting standard

During 2012, AAOIFI issued new Financial Accounting Standard (FAS 26) "Investment in real estate", which is effective as of 1 January 2013.

The adoption of FAS 26 had no effect on the classification and measurement of the Groups investments in real estate.

b. Statement of compliance

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law and the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board (the 'IASB').

c. Basis of consolidation

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Basis of consolidation (continued)

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

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

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

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

Bank	***Ownership for 2013***	*Ownership for 2012*	***Year of incorporation***	***Country of incorporation***	***No. of branches/ offices at 31 December 2013***
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	117
Al Baraka Bank Tunis (ABT) *	**78.40%**	78.40%	1983	Tunisia	8
Al Baraka Bank Egypt (ABE)	**73.68%**	73.68%	1980	Egypt	26
Al Baraka Bank Lebanon (ABBL)	**98.86%**	98.71%	1991	Lebanon	7
Jordan Islamic Bank (JIB)	**66.01%**	66.01%	1978	Jordan	80
Al Baraka Turk Participation Bank (ATPB)	**56.64%**	56.64%	1985	Turkey	167
Al Baraka Bank Limited (ABL)	**62.15%**	62.15%	1989	South Africa	11
Al Baraka Bank Sudan (ABS) **	**76.09%**	82.08%	1984	Sudan	27
Al Baraka Bank Syria (ABBS)	**23.00%**	23.00%	2009	Syria	9

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

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

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

Company/ Bank	***Subsidiary held through***	***Effective Ownership for 2013***	*Effective Ownership for 2012*	***Year of incorporation***	***Country of incorporation***
Held indirectly by the Bank					
Al Baraka Bank (Pakistan) Limited	AIB	**58.90%**	58.90%	2010	Pakistan
Itqan Capital (note 3)	AIB	**54.67%**	54.67%	2007	Saudi Arabia
Al- Rizq Trading Company	JIB	**-**	59.40%	1994	Jordan
Al-Omariya School Company	JIB	**62.31%**	62.31%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**65.15%**	66.01%	1998	Jordan
Future Applied Computer Technology Company	JIB	**66.01%**	66.01%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**66.01%**	66.01%	2006	Jordan
Al Baraka Properties (Pty) Ltd.	ABL	**62.15%**	62.15%	1991	South Africa

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

e. Cash and cash equivalents

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

f. Receivables

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

Sales (Murabaha) receivables

Sales (Murabaha) receivables consist mainly of Murabaha and international commodities stated net of deferred profits and provision for doubtful amount.

Ijarah receivables

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

Salam receivables

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

Istisna'a receivables

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

g. Mudaraba and Musharaka financing

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

h. Investments

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

Investment in real estate

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Investments (continued)

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Property and equipment (continued)
The calculation of depreciation is on the following basis:

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

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

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

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

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

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

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

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

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

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

p. Provision
Provisions are recognised when there is a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

w. Revenue recognition

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Revenue recognition (continued)

Fee and commission income
Fee and commission income is recognised when earned.

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

dd. Impairment of financial assets

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

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

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

ee. Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a religious or legal right to offset the recognised amounts and there is actual expectation of the Group to settle on a net basis.

ff. Foreign currencies

Foreign currency transactions at the subsidiary level

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

Foreign currency translations

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

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

gg. Judgments

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

Classification of investments

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

Going concern

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

ii. Derecognition

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

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

(ii) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3 ACQUISITION OF ITQAN CAPITAL

On 1 July 2012, the Group acquired 58.32% of the voting shares of Itqan Capital through its subsidiary Al Baraka Islamic Bank. Itqan Capital is an unlisted company based in Kingdom of Saudi Arabia, licensed by the Capital Market Authority and specialising in the asset management, principle investment, investment banking, and custodial services. Further Al Baraka Islamic Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of Itqan Capital to the Group. Al Baraka Islamic Bank has authorised the Group to represent it in the shareholders' meetings and to exercise control on Itqan Capital to do any or all acts and deeds and exercise all powers of Al Baraka Islamic Bank pursuant to the Charter Document referred in the management agreement and or under any applicable laws.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Itqan Capital as at the date of acquisition were US$ 10,594 thousand and the goodwill arising on acquision was US$ 17,082 thousand. The total purchase consideration transferred is US$ 27,676 thousand.

The goodwill of US$ 17,082 thousands comprises the value of expected synergies arising from the acquisition, which is not separately recognised.

From the date of acquisition till 31 December 2012, Itqan Capital has contributed US$ 389 thousands of revenue and a loss of US$ 2,044 thousands to the net profit before tax of the Group. If the acquisition had taken place at the beginning of the year 2012, revenue contributed would have been US$ 817 thousand and a loss of US$ 3,803 thousand to the net profit before tax of the Group for the year 2012.

The Group has elected to measure the non-controlling interest in the Itqan Capital at their proportionate share of the acquirer's identifiable net assets resulting in the non-controlling interest of US$ 7,063 thousand at 31 December 2012.

4 CASH AND BALANCES WITH BANKS

	2013 US$ '000	2012 US$ '000
Balances with central banks*	**3,681,621**	2,876,719
Balances with other banks	**791,780**	681,064
Cash and cash in transit	**324,086**	369,800
	4,797,487	3,927,583

* Balances with the central banks include mandatory reserves amounting to US$ 2,492,734 thousand (2012: US$ 1,977,289 thousand). These amounts are not available for use in the Group's day-to-day operations.

5 RECEIVABLES

	2013 US$ '000	2012 US$ '000
Sales (Murabaha) receivables (5.1)	**10,632,286**	10,297,161
Ijarah receivables (5.2)	**20,504**	32,587
Salam receivables (5.3)	**126,174**	106,400
Istisna'a receivables (5.4)	**39,255**	26,353
	10,818,219	10,462,501

5.1 Sales (Murabaha) receivables

	2013			2012		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
International Commodity Murabaha	**60,406**	**327,012**	**387,418**	63,835	312,232	376,067
Other Murabaha	**1,711,299**	**10,019,224**	**11,730,523**	1,380,402	10,118,986	11,499,388
Gross Sales (Murabaha) receivables	**1,771,705**	**10,346,236**	**12,117,941**	1,444,237	10,431,218	11,875,455
Deferred profits	**(177,273)**	**(915,326)**	**(1,092,599)**	(166,028)	(1,017,762)	(1,183,790)
	1,594,432	**9,430,910**	**11,025,342**	1,278,209	9,413,456	10,691,665
Provisions (note 21)	**(57,795)**	**(335,261)**	**(393,056)**	(42,177)	(352,327)	(394,504)
	1,536,637	**9,095,649**	**10,632,286**	1,236,032	9,061,129	10,297,161

	2013 US$ '000	2012 US$ '000
Non-performing	**456,082**	495,745

The Group considers the promise made in Sales (Murabaha) receivables to the purchase orderer as obligatory.

5 RECEIVABLES (continued)

5.2 Ijarah receivables

	2013			2012		
	Self financed US$ '000	***Jointly financed US$ '000***	***Total US$ '000***	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Gross Ijarah receivables	**567**	**25,715**	**26,282**	1,081	39,562	40,643
Provisions (note 21)	**-**	**(5,778)**	**(5,778)**	-	(8,056)	(8,056)
	567	**19,937**	**20,504**	1,081	31,506	32,587

	2013 US$ '000	*2012 US$ '000*
Non-performing	**11,666**	14,480

5.3 Salam receivables

	2013			2012		
	Self financed US$ '000	***Jointly financed US$ '000***	***Total US$ '000***	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Gross Salam receivables	**-**	**130,417**	**130,417**	-	109,084	109,084
Provisions (note 21)	**-**	**(4,243)**	**(4,243)**	-	(2,684)	(2,684)
	-	**126,174**	**126,174**	-	106,400	106,400

	2013 US$ '000	*2012 US$ '000*
Non-performing	**7,303**	8,415

5.4 Istisna'a receivables

	2013			2012		
	Self financed US$ '000	***Jointly financed US$ '000***	***Total US$ '000***	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Gross Istisna'a receivables	**-**	**40,565**	**40,565**	-	26,839	26,839
Provisions (note 21)	**-**	**(1,310)**	**(1,310)**	-	(486)	(486)
	-	**39,255**	**39,255**	-	26,353	26,353

	2013 US$ '000	*2012 US$ '000*
Non-performing	**2,852**	941

6 MUDARABA AND MUSHARAKA FINANCING

	2013 US$ '000	*2012 US$ '000*
Mudaraba financing (6.1)	**809,178**	557,787
Musharaka financing (6.2)	**382,947**	395,767
	1,192,125	953,554

6 MUDARABA AND MUSHARAKA FINANCING (continued)

6.1 Mudaraba financing

	2013			2012		
	Self financed US$ '000	***Jointly financed US$ '000***	***Total US$ '000***	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Gross Mudaraba financing	**322,626**	**497,662**	**820,288**	185,031	389,109	574,140
Provisions (note 21)	**-**	**(11,110)**	**(11,110)**	-	(16,353)	(16,353)
	322,626	**486,552**	**809,178**	185,031	372,756	557,787

	2013 US$ '000	*2012 US$ '000*
Non-performing	**10,872**	16,612

6.2 Musharaka financing

	2013			2012		
	Self financed US$ '000	***Jointly financed US$ '000***	***Total US$ '000***	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Gross Musharaka financing	**70,550**	**319,789**	**390,339**	82,442	321,854	404,296
Provisions (note 21)	**-**	**(7,392)**	**(7,392)**	-	(8,529)	(8,529)
	70,550	**312,397**	**382,947**	82,442	313,325	395,767

	2013 US$ '000	*2012 US$ '000*
Non-performing	**14,964**	22,328

7 INVESTMENTS

	2013 US$ '000	*2012 US$ '000*
Equity and debt-type instruments at fair value through statement of income (7.1)	**34,644**	14,492
Equity-type instruments at fair value through equity (7.2)	**97,087**	176,104
Debt-type instruments at amortised cost (7.3)	**2,093,920**	1,831,118
	2,225,651	2,021,714
Investment in real estate (7.4)	**139,350**	127,829
Investment in associates (7.5)	**37,829**	34,211
	2,402,830	2,183,754

7 INVESTMENTS (continued)

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

	2013			2012		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Quoted investments						
Debts	29,046	2,638	31,684	5,127	5,257	10,384
Equities	2,262	698	2,960	2,582	-	2,582
	31,308	3,336	34,644	7,709	5,257	12,966
Unqouted investments						
Debts	-	-	-	1,526	-	1,526
	-	-	-	1,526	-	1,526
	31,308	3,336	34,644	9,235	5,257	14,492

7.2 Equity-type instruments at fair value through equity

	2013			2012		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Quoted investments						
Equities	4,820	43,373	48,193	5,787	47,969	53,756
Managed funds	1,751	14,650	16,401	17,178	14,351	31,529
	6,571	58,023	64,594	22,965	62,320	85,285
Unquoted investments						
Equities	19,520	7,549	27,069	55,189	24,059	79,248
Managed funds	-	10,485	10,485	-	28,380	28,380
	19,520	18,034	37,554	55,189	52,439	107,628
Provisions (note 21)	(2,744)	(2,317)	(5,061)	(10,524)	(6,285)	(16,809)
	23,347	73,740	97,087	67,630	108,474	176,104

7 INVESTMENTS (continued)

7.3 Debt-type instruments at amortised cost

	2013			*2012*		
	Self financed US$ '000	**Jointly financed US$ '000**	**Total US$ '000**	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Quoted investments						
Sukuk and similar items	**477,269**	**490,730**	**967,999**	312,828	461,337	774,165
	477,269	**490,730**	**967,999**	312,828	461,337	774,165
Unquoted investments						
Sukuk and similar items	**56,639**	**1,072,263**	**1,128,902**	55,933	1,004,397	1,060,330
	56,639	**1,072,263**	**1,128,902**	55,933	1,004,397	1,060,330
Provisions (note 21)	**-**	**(2,981)**	**(2,981)**	-	(3,377)	(3,377)
	533,908	**1,560,012**	**2,093,920**	368,761	1,462,357	1,831,118

7.4 Investment in real estate

	2013			*2012*		
	Self financed Self US$ '000	**Jointly financed Self US$ '000**	**Total Self US$ '000**	*Self financed Self US$ '000*	*Jointly financed Self US$ '000*	*Total Self US$ '000*
Land	**1,158**	**75,982**	**77,140**	1,343	46,382	47,725
Buildings	**7,340**	**54,870**	**62,210**	3,204	76,900	80,104
	8,498	**130,852**	**139,350**	4,547	123,282	127,829

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

	2013 US$ '000	*2012 US$ '000*
Beginning balance of the year	**127,829**	128,111
Acquisition	**11,290**	15,595
Net gain (loss) from fair value adjustments	**6,988**	(93)
Disposal	**(1,860)**	(6,739)
Foreign exchange translation / others - net	**(4,897)**	(9,045)
	11,521	(282)
Ending balance of the year	**139,350**	127,829

7 INVESTMENTS (continued)

7.5 Investment in associates

Investments in associates comprise the following:

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

7 INVESTMENTS (continued)

7.5 Investment in associates (continued)

	2012		2012			
	Ownership %	Country of incorporation	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Market Value US$ '000
Quoted						
Investment Banking						
Al Amin for Investment	29.70	Jordan	-	5,660	5,660	4,401
Insurance						
The Islamic Insurance Company	33.20	Jordan	-	7,304	7,304	7,312
Others						
Jordan International Trading Centre	28.40	Jordan	-	2,052	2,052	1,618
Arabian Steel Pipes Manufacturing Company Limited	26.00	Jordan	-	5,512	5,512	8,086
			-	20,528	20,528	21,417
Unquoted						
Real Estate						
Egyptian Saudi Finance Real Estate	40.00	Egypt	-	368	368	
REIF 1 Real Estate Income Fund	41.33	Saudi Arabia	8,319	-	8,319	
Others						
BEST Lease	28.00	Tunisia	4,996	-	4,996	
			13,315	368	13,683	
			13,315	20,896	34,211	

8 IJARAH MUNTAHIA BITTAMLEEK

	2013			2012		
	Self financed US$ '000	***Jointly financed US$ '000***	***Total US$ '000***	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Land and building						
Cost	**-**	**1,037,203**	**1,037,203**	-	737,870	737,870
Accumulated depreciation	**-**	**(313,285)**	**(313,285)**	-	(178,911)	(178,911)
Net book value	**-**	**723,918**	**723,918**	-	558,959	558,959
Equipment						
Cost	**41,672**	**422,041**	**463,713**	33,719	334,562	368,281
Accumulated depreciation	**(7,656)**	**(261,176)**	**(268,832)**	(10,705)	(218,756)	(229,461)
Net book value	**34,016**	**160,865**	**194,881**	23,014	115,806	138,820
Others						
Cost	**1,851**	**31,025**	**32,876**	2,714	30,845	33,559
Accumulated depreciation	**(1,851)**	**(7,776)**	**(9,627)**	(2,714)	(9,005)	(11,719)
Net book value	**-**	**23,249**	**23,249**	-	21,840	21,840
TOTAL						
Cost	**43,523**	**1,490,269**	**1,533,792**	36,433	1,103,277	1,139,710
Accumulated depreciation	**(9,507)**	**(582,237)**	**(591,744)**	(13,419)	(406,672)	(420,091)
Net book value	**34,016**	**908,032**	**942,048**	23,014	696,605	719,619

9 PROPERTY AND EQUIPMENT

	Land and buildings	*Office furniture and equipment*	*Vehicles*	*Others*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Cost:					
At 1 January 2012	254,171	150,178	10,562	57,179	472,090
Additions	46,489	30,927	890	52,809	131,115
Disposals	(1,219)	(4,756)	(1,510)	(4,777)	(12,262)
Foreign exchange translations	(11,553)	(6,164)	(1,274)	(4,183)	(23,174)
At 31 December 2012	287,888	170,185	8,668	101,028	567,769
Additions	38,996	22,286	1,865	26,739	89,886
Disposals	(1,908)	(2,929)	(821)	(5,582)	(11,240)
Foreign exchange translations	(26,368)	(9,649)	(450)	(9,306)	(45,773)
At 31 December 2013	**298,608**	**179,893**	**9,262**	**112,879**	**600,642**
Depreciation:					
At 1 January 2012	48,411	90,976	6,247	12,523	158,157
Provided during the year (note 19)	10,395	13,672	1,135	6,248	31,450
Relating to disposals	(515)	(4,436)	(1,221)	(9,541)	(15,713)
Foreign exchange translations	544	7,290	(694)	239	7,379
At 31 December 2012	58,835	107,502	5,467	9,469	181,273
Provided during the year (note 19)	10,497	15,363	1,001	7,231	34,092
Relating to disposals	(620)	(2,269)	(732)	(797)	(4,418)
Foreign exchange translations	(6,683)	(6,380)	(410)	(2,712)	(16,185)
At 31 December 2013	**62,029**	**114,216**	**5,326**	**13,191**	**194,762**
Net book values:					
At 31 December 2013	**236,579**	**65,677**	**3,936**	**99,688**	**405,880**
At 31 December 2012	229,053	62,683	3,201	91,559	386,496

10 OTHER ASSETS

	2013	*2012*
	US$ '000	*US$ '000*
Bills receivables	**109,102**	117,521
Goodwill and intangible assets (note 10 (a))	**104,946**	107,784
Collateral pending sale	**75,471**	73,166
Good Faith Qard	**24,359**	11,058
Deferred taxation	**19,022**	31,897
Prepayments	**46,422**	56,531
Others	**45,154**	35,286
	424,476	433,243
Provisions (note 21)	**(15,506)**	(11,619)
	408,970	421,624

10 OTHER ASSETS (continued)

10 (a) Goodwill and intangible assets

	2013			2012		
	Goodwill US$ '000	***Intangible assets US$ '000***	***Total US$ '000***	*Goodwill US$ '000*	*Intangible assets US$ '000*	*Total US$ '000*
At 1 January	**93,785**	**13,999**	**107,784**	76,593	9,785	86,378
Additions	**-**	**10,032**	**10,032**	17,082	8,248	25,330
Amortisation charge for the year	**-**	**(5,034)**	**(5,034)**	-	(3,849)	(3,849)
Impairment loss for the year	**-**	**-**	**-**	-	(57)	(57)
Foreign exchange translations	**(6,237)**	**(1,599)**	**(7,836)**	110	(128)	(18)
At 31 December	**87,548**	**17,398**	**104,946**	93,785	13,999	107,784

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

	2013 US$ '000	*2012 US$ '000*
Al Baraka Turk Participation Bank	**24,152**	28,651
Al Barak Bank Egypt	**2,107**	2,367
Jordan Islamic Bank	**26,646**	26,646
Al Baraka Bank (Pakistan) Limited	**17,561**	19,039
Itqan Capital	**17,082**	17,082
	87,548	93,785

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

11 LONG TERM FINANCING

	2013 **US$ '000**	2012 US$ '000
Murabaha financing	**296,584**	-
Subordinated financing to a subsidiary	**204,487**	-
Istisna'a financing	**39,609**	12,796
	540,680	12,796

Murabaha financing

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

Subordinated financing to a subsidiary

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

12 OTHER LIABILITIES

	2013 **US$ '000**	2012 US$ '000
Payables	**254,266**	380,035
Cash margins	**202,313**	108,336
Managers' cheques	**9,256**	7,172
Other provisions (note 21) *	**30,306**	18,210
Current taxation **	**61,723**	47,949
Deferred taxation **	**686**	12,003
Accrued expenses	**78,301**	59,817
Charity fund	**7,432**	3,803
Others	**54,716**	39,687
	698,999	677,012

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

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

13 EQUITY OF INVESTMENT ACCOUNTHOLDERS (IAH)

	2013 *US$ '000*	*2012* *US$ '000*
Equity of investment accountholders	**12,268,218**	11,488,978
Profit equalisation reserve (note 13.1)	**12,126**	9,444
Investment risk reserve (note 13.2)	**110,424**	98,429
Cumulative changes in fair value attributable to equity of investment accountholders - net (13.3)	**8,676**	7,777
	12,399,444	11,604,628

13.1 Movement in profit equalisation reserve

	2013 *US$ '000*	*2012* *US$ '000*
Balance at 1 January	**9,444**	8,034
Amount apportioned from income allocable to equity of investment accountholders	**2,643**	1,842
Foreign exchange translations	**39**	(432)
Balance at 31 December	**12,126**	9,444

13.2 Movement in investment risk reserve

	2013 *US$ '000*	*2012* *US$ '000*
Balance at 1 January	**98,429**	93,653
Amount appropriated to provision (note 21)	**(21,807)**	(3,946)
Amount apportioned from income allocable to equity of investment accountholders	**48,634**	4,895
Foreign exchange translations	**(14,832)**	3,827
Balance at 31 December	**110,424**	98,429

13.3 Movement in accumulated changes in fair value attributable to equity of investment accountholders - net

	2013 *US$ '000*	*2012* *US$ '000*
Balance at 1 January	**7,777**	5,313
Change in fair values during the year	**2,771**	6,369
Realised gain transferred to consolidated statement of income	**(751)**	(2,039)
Deferred taxation effect	**(606)**	(1,299)
Transfer to shareholders equity	**(515)**	(567)
	8,676	7,777
Attributable to investment in real estate	**10,009**	7,220
Attributable to equity-type instruments at fair value through equity	**(1,333)**	557
	8,676	7,777

14 OWNERS' EQUITY

	2013 US$ '000	2012 US$ '000
Share capital		
Authorised 1,500,000,000 shares of US$ 1 each	**1,500,000**	1,500,000

	2013 US$ '000	2012 US$ '000
Issued and fully paid up		
At beginning of the year 1,014,475,000 (2012: 869,550,000) shares of US$1 each	**1,014,475**	869,550
Issued during the year 33,816,000 Bonus shares (2012: 144,925,000) of US$1 each	**33,816**	144,925
At end of the year 1,048,291,000 (2012: 1,014,475,000) shares of US$1 each	**1,048,291**	1,014,475

Proposed appropriations
At the Annual General Meeting held on 19 March 2013 (2012: 21 March 2012), the shareholders of the Group resolved to distribute US$ 35,507 thousand as cash dividends and US$ 33,816 thousand as bonus shares (2011: US$ 30,434 thousand as cash dividends and US$ 144,925 thousand as bonus shares).

Treasury shares

	No. thousand	**2013** US$ '000	2012 US$ '000
At 1 January	**8,475**	**8,475**	7,319
Purchase of treasury shares	**39**	**39**	1,634
Sale of treasury shares	**(391)**	**(391)**	(478)
At 31 December	**8,123**	**8,123**	8,475

The market value of the treasury shares is US$ 6,268 thousand (2012: US$ 6,013 thousand) and it represents 0.8% (2012: 0.8%) of the outstanding shares.

Additional information on shareholding pattern

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

At 31 December 2013

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

14 OWNERS' EQUITY (continued)

Additional information on shareholding pattern (continued)

At 31 December 2012

Names	*Nationality/ Incorporation*	*No. of shares*	*% holding*
Saleh Abdulla Kamel	Saudi	305,463,223	30.11%
Dallah AlBaraka Holding Company E.C.	Bahrain	249,925,114	24.64%
Altawfeek Company For Investment Funds	Cayman Island	196,036,311	19.32%
Abdulla AbdulAziz AlRajihi	Saudi	69,520,688	6.85%

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

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

At 31 December 2013

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

At 31 December 2012

Categories:	*No. of shares*	*No. of shareholders*	*% of total outstanding shares*
Less than 1%	67,659,095	1,124	6.67%
1% up to less than 5%	125,870,569	7	12.41%
5% up to less than 10%	69,520,688	1	6.85%
10% up to less than 20%	196,036,311	1	19.32%
20% up to less than 50%	555,388,337	2	54.75%
	1,014,475,000	1,135	100.00%

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

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

14 OWNERS' EQUITY (continued)

b. Statutory reserve
In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the parent's share of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital.

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

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

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

Subsidiary	***Currency***	***2013 US$ '000***	*2012 US$ '000*
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	**8,995**	10,257
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	**10,314**	6,528
Al Baraka Bank Egypt (ABE)	Egyptian Pound	**25,124**	11,125
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	**139,806**	67,461
Al Baraka Bank Limited (ABL)	South African Rand	**9,107**	4,024
Al Baraka Bank Sudan (ABS)	Sudanese Pound	**28,238**	28,097
Al Baraka Bank Syria (ABBS)	Syrian Pound	**11,344**	6,099
		232,928	133,591

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

f. Proposed Appropriations

	2013 US$ '000	*2012 US$ '000*
Cash dividend 3.5% (2012: 3.5%)	**36,690**	35,507
Bonus shares	**45,578**	33,816
	82,268	69,323

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

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

The proposed appropriations for the year 2012 was approved at the Annual General Meeting on 19 March 2013 and was effected in 2013 following that approval.

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

15 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2013 **US$ '000**	2012 US$ '000
Receivables (note 15.1)	**937,762**	921,642
Mudaraba and Musharaka financing (note 15.2)	**81,803**	58,846
Investments (note 15.3)	**194,224**	200,881
Ijarah Muntahia Bittamleek (note 15.4)	**70,835**	54,066
Others	**14,438**	4,519
	1,299,062	1,239,954
Net income from jointly financed contracts and investments	**1,031,031**	1,018,482
Income from self financed contracts and investments	**268,031**	221,472
Profit paid on wakala financing	**(31,964)**	(16,859)
Net income from self financed contracts and investments	**236,067**	204,613

15.1 Receivables

	2013 **US$ '000**	2012 US$ '000
Sales (Murabaha) receivables	**925,471**	911,598
Salam receivables	**9,011**	6,370
Istisna'a receivables	**3,280**	3,674
	937,762	921,642

15.2 Mudaraba and Musharaka financing

	2013 **US$ '000**	2012 US$ '000
Mudaraba financing	**21,325**	21,443
Musharaka financing	**60,478**	37,403
	81,803	58,846

15.3 Investments

	2013 **US$ '000**	2012 US$ '000
Equity-type instruments at fair value through equity	**9,236**	9,323
Debt-type instruments at amortised cost	**177,094**	185,066
Unrealised gain on equity and debt-type instruments at fair value through statement of income	**283**	330
Gain on sale of equity-type instruments at fair value through equity	**891**	185
Gain on sale of equity and debt-type instruments at fair value through statement of income	**2,500**	125
Rental income	**1,259**	1,826
Income from associates	**1,958**	1,600
Gain on sale of investment in real estate	**957**	2,426
Gain on sale of associate	**46**	-
	194,224	200,881

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

15.4 Ijarah Muntahia Bittamleek

	2013 US$ '000	2012 US$ '000
Income from Ijarah Muntahia Bittamleek	**473,729**	154,172
Depreciation on Ijarah Muntahia Bittamleek	**(402,894)**	(100,106)
	70,835	54,066

16 GROUP'S SHARE AS A MUDARIB

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

17 OTHER FEES AND COMMISSION INCOME

	2013 US$ '000	2012 US$ '000
Banking fees and commissions	**72,418**	81,772
Letters of credit	**53,501**	52,311
Guarantees	**44,877**	44,895
Acceptances	**8,302**	5,768
	179,098	184,746

18 OTHER OPERATING INCOME

	2013 US$ '000	2012 US$ '000
Foreign exchange gain	**61,764**	61,896
Gain on sale of property and equipment	**9,153**	17,332
Others	**1,912**	1,242
	72,829	80,470

19 DEPRECIATION AND AMORTISATION

	2013 US$ '000	2012 US$ '000
Property and equipment depreciation (note 9)	**34,092**	31,450
Intangible assets amortisation (note 10 (a))	**5,034**	3,849
	39,126	35,299

20 OTHER OPERATING EXPENSES

	2013 US$ '000	2012 US$ '000
General and administration	**87,926**	89,665
Professional and business expenses	**22,981**	26,873
Premises related expenses	**45,489**	43,902
	156,396	160,440

21 PROVISIONS AND IMPAIRMENTS

2013	*Sales (Murabaha) receivables US$ '000 (note 5.1)*	*Ijarah receivables US$ '000 (note 5.2)*	*Salam receivables US$ '000 (note 5.3)*	*Istisna'a receivables US$ '000 (note 5.4)*	*Mudaraba financing US$ '000 (note 6.1)*	*Musharaka financing US$ '000 (note 6.2)*	*Investments US$ '000 (note 7.2 & 7.3)*	*Other assets US$ '000 (note 10)*	*Other liabilities US$ '000 (note 12)*	*Total US$ '000*
Provisions at 1 January	394,504	8,056	2,684	486	16,353	8,529	20,186	11,619	18,210	480,627
Charged during the year	106,257	3,147	2,258	1,091	1,730	1,347	969	5,582	8,974	131,355
Written back during the year	(62,540)	(1,484)	(710)	(337)	-	(1,718)	(1,001)	(1,117)	(1)	(68,908)
	43,717	1,663	1,548	754	1,730	(371)	(32)	4,465	8,973	62,447
	438,221	9,719	4,232	1,240	18,083	8,158	20,154	16,084	27,183	543,074
Written off during the year	(41,417)	(1,181)	-	-	(5,233)	-	(7,521)	(998)	(28)	(56,378)
Amount appropriated from (to) investment risk reserve (note 13.2)	21,738	-	17	57	-	(5)	-	-	-	21,807
Foreign exchange translations/others - net	(25,486)	(2,760)	(6)	13	(1,740)	(761)	(4,591)	420	3,151	(31,760)
Provisions at 31 December	393,056	5,778	4,243	1,310	11,110	7,392	8,042	15,506	30,306	476,743

During the year an impairment loss of US$ 3,349 thousand (2012: Nil) was charged against investments.

2012	*Sales receivables US$ '000*	*Ijarah receivables US$ '000*	*Salam receivables US$ '000*	*Istisna'a receivables US$ '000*	*Mudaraba financing US$ '000*	*Musharaka financing US$ '000*	*Investments US$ '000*	*Other assets US$ '000*	*Other provisions US$ '000*	*Total US$ '000*
Provisions at 1 January	333,666	2,506	4,272	544	11,924	4,996	14,699	11,908	15,303	399,818
Charged during the year	99,728	2,428	1,231	355	5,888	4,387	4,026	3,763	5,583	127,389
Written back during the year	(22,223)	(1,679)	(2,592)	(185)	-	(386)	(376)	(314)	(311)	(28,066)
	77,505	749	(1,361)	170	5,888	4,001	3,650	3,449	5,272	99,323
	411,171	3,255	2,911	714	17,812	8,997	18,349	15,357	20,575	499,141
Written off during the year	(13,966)	(147)	(11)	-	-	-	-	(441)	(480)	(15,045)
Amount appropriated from (to) investment risk reserve (note 13.2)	3,993	-	-	-	-	(47)	-	-	-	3,946
Foreign exchange translations/others - net	(6,694)	4,948	(216)	(228)	(1,459)	(421)	1,837	(3,297)	(1,885)	(7,415)
Provisions at 31 December	394,504	8,056	2,684	486	16,353	8,529	20,186	11,619	18,210	480,627

21 PROVISIONS AND IMPAIRMENTS (continued)

These provisions relate to the following geographical areas:

2013	*Sales (Murabaha) receivables US$ '000*	*Ijarah receivables US$ '000*	*Salam receivables US$ '000*	*Istisna'a receivables US$ '000*	*Mudaraba financing US$ '000*	*Musharaka financing US$ '000*	*Investments US$ '000*	*Other assets US$ '000*	*Other liabilities US$ '000*	*Total US$ '000*
Middle East	**217,624**	**-**	**-**	**-**	**11,110**	**241**	**5,324**	**6,120**	**27,469**	**267,888**
North Africa	**32,188**	**4,361**	**2,197**	**1,118**	**-**	**51**	**960**	**2,777**	**2,837**	**46,489**
Europe	**119,666**	**-**	**-**	**-**	**-**	**-**	**-**	**1,343**	**-**	**121,009**
Others	**23,578**	**1,417**	**2,046**	**192**	**-**	**7,100**	**1,758**	**5,266**	**-**	**41,357**
Total	**393,056**	**5,778**	**4,243**	**1,310**	**11,110**	**7,392**	**8,042**	**15,506**	**30,306**	**476,743**
2012										
Middle East	221,173	1,181	-	-	16,353	276	15,962	6,120	17,170	278,235
North Africa	35,970	5,962	2,343	348	-	51	3,150	116	1,040	48,980
Europe	110,726	-	-	-	-	-	-	907	-	111,633
Others	26,635	913	341	138	-	8,202	1,074	4,476	-	41,779
Total	394,504	8,056	2,684	486	16,353	8,529	20,186	11,619	18,210	480,627

The fair value of collateral that the Group holds relating to non performing facilities at 31 December 2013 amounts to US$ 304.9 million (31 December 2012: US$ 414.2 million). The collateral consists of cash margin, securities and properties. The utilisation of the collaterals will be on customer by customer basis and will be limited to the customer's total exposure.

22 BASIC AND DILUTED EARNINGS PER SHARE

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

	2013	2012
Net income attributable to the equity shareholders of the parent for the year - *US$ '000*	**144,506**	133,028
Weighted average number of shares outstanding at the beginning of the year (in thousands)	**1,040,005**	1,040,972
Treasury shares effect (in thousands)	**(114)**	(34,783)
Bonus shares effect during the year (in thousands)*	**-**	33,816
Weighted average number of shares outstanding at the end of the year (in thousands)	**1,039,891**	1,040,005
Earnings per share - US cents	**13.90**	12.79

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

23 CASH AND CASH EQUIVALENTS

	2013 US$ '000	2012 US$ '000
Balances with central banks excluding mandatory reserve	**1,188,887**	899,430
Balances with other banks	**791,780**	681,064
Cash and cash in transit	**324,086**	369,800
	2,304,753	1,950,294

24 RELATED PARTY TRANSACTIONS

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

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

	Associated companies US$ '000	***Major shareholders US$ '000***	***Directors and key management personnel US$ '000***	***Other related parties US$ '000***	***2013 US$ '000***	*2012 US$ '000*
Net income from jointly financed contracts and investments	**2,235**	**401**	**28**	**-**	**2,664**	2,976
Net income (loss) from self financed financing and investments	**520**	**246**	**-**	**-**	**766**	(1,163)
Return on equity of investment accountholders	**(186)**	**(131)**	**(601)**	**(2)**	**(920)**	(654)
Mudarib share for managing off-balance sheet	**-**	**-**	**-**	**-**	**-**	19
Other fees and commission income	**416**	**-**	**1**	**-**	**417**	29

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

	2013 US$ '000	*2012 US$ '000*
Short term benefits	**4,635**	4,151
Long term benefits	**893**	748

Director's remuneration accrued for the year ended 31 December 2013 amounted to USD 1 million (2012: USD 1 million).

24 RELATED PARTY TRANSACTIONS (continued)

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

	Associated companies US$ '000	*Major shareholders US$ '000*	*Directors and key management personnel US$ '000*	*Other related parties US$ '000*	*2013 US$ '000*	*2012 US$ '000*
Assets:						
Receivables	8,290	-	628	-	8,918	60,451
Mudaraba and Musharaka financing	-	1,729	928	-	2,657	8,517
Investments	37,805	-	-	257	38,062	53,278
Ijarah Muntahia Bittamleek	-	-	1,097	-	1,097	502
Other assets	-	57	639	66	762	1,327
Liabilities:						
Customer current and other accounts	3,826	4,943	2,985	257	12,011	9,488
Due to banks	211	15,219	-	-	15,430	20,086
Other Liabilities	2,076	20	-	2	2,098	2,811
Equity of investment accountholders	11,626	5,784	10,017	2,280	29,707	20,526
Off-balance sheet equity of investment accountholders	4,386	8,567	369	-	13,322	20,934

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

24 RELATED PARTY TRANSACTIONS (continued)

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

Name of directors	Position	Nationality	2012 No. of shares	Transaction No. of shares	2013* No. of shares
Saleh Abdulla Kamel	Chairman	Saudi	555,388,337	-	573,901,281
Abdulla Ammar Saudi	Vice Chairman	Bahraini	543,898	-	562,027
Abdulla Saleh Kamel	Vice Chairman	Saudi	276,376	-	285,588
Fahad Abdulla AlRajhi	Board Member	Saudi	20,521,240	-	21,205,281
Mohydin Saleh Kamel	Board Member	Saudi	240,202	344,051	597,136
AbdulElah Sabbahi	Board Member	Saudi	184,388	-	190,534
Adnan Ahmed Yousif	Board Member (President & Chief Executive)	Bahraini	299	-	308
Abdulrahman Shehab	Executive Vice President, Head of Operations and Administration	Bahraini	111,207	-	114,913

* Includes the effect of the Bank's issuance of bonus shares at one bonus share for each 30 shares held following shareholders' approval at the Annual General Meeting on 19 March 2013.

25 COMMITMENTS AND CONTINGENCIES

	2013 **US$ '000**	2012 US$ '000
Letters of credit	**1,111,881**	1,110,826
Guarantees	**2,881,336**	2,943,529
Acceptances	**180,282**	94,014
Undrawn Commitments	**773,961**	601,625
Others	**207**	3,600
	4,947,667	4,753,594

26 SEGMENTAL ANALYSIS

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

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

Middle East
North Africa
Europe
Others

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

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

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

	2013			2012		
	Assets US$ '000	**Liabilities US$ '000**	**IAH US$ '000**	Assets US$ '000	Liabilities US$ '000	IAH US$ '000
Segment						
Middle East	**8,746,346**	**2,463,265**	**5,458,582**	8,360,928	2,228,323	5,316,442
North Africa	**2,588,865**	**1,099,882**	**1,136,874**	2,385,801	979,449	1,060,280
Europe	**8,076,290**	**2,593,951**	**4,790,278**	6,874,838	1,936,161	4,250,096
Others	**1,556,058**	**427,630**	**1,013,710**	1,433,564	338,890	977,810
	20,967,559	**6,584,728**	**12,399,444**	19,055,131	5,482,823	11,604,628

26 SEGMENTAL ANALYSIS (continued)

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

	2013			2012		
	Total operating income US$ '000	***Net operating income US$ '000***	***Net income US$ '000***	*Total operating income US$ '000*	*Net operating income US$ '000*	*Net income US$ '000*
Segment						
Middle East	**323,815**	**143,606**	**70,317**	307,846	141,706	61,448
North Africa	**128,060**	**68,068**	**47,999**	131,470	80,717	55,139
Europe	**391,526**	**190,965**	**127,672**	375,135	183,219	118,186
Others	**66,083**	**17,425**	**11,791**	65,319	16,062	469
	909,484	**420,064**	**257,779**	879,770	421,704	235,242

27 RISK MANAGEMENT

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

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

a) Liquidity risk

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

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

27 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

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

	Up to 1 Month US$ '000	*1 to 3 months US$ '000*	*3 to 6 months US$ '000*	*6 months to 1 year US$ '000*	*1 to 3 years US$ '000*	*3 to 5 years US$ '000*	*5 to 10 years US$ '000*	*10 to 20 years US$ '000*	*20 years and above US$ '000*	*Undated US$ '000*	*Total US$ '000*
ASSETS											
Cash and balances with banks	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
Total assets	**5,517,935**	**1,548,464**	**2,011,794**	**2,434,750**	**3,697,600**	**1,443,670**	**742,884**	**276,493**	**2,565**	**3,291,404**	**20,967,559**
LIABILITIES											
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
Total Liabilities	**4,913,659**	**309,120**	**239,994**	**239,491**	**339,672**	**72,882**	**204,612**	**-**	**-**	**265,298**	**6,584,728**
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
Total liabilities and equity of investment accountholders	**10,088,586**	**1,694,106**	**1,333,548**	**1,577,004**	**2,848,210**	**902,915**	**208,105**	**-**	**-**	**331,698**	**18,984,172**
Net liquidity gap	**(4,570,651)**	**(145,642)**	**678,246**	**857,746**	**849,390**	**540,755**	**534,779**	**276,493**	**2,565**	**2,959,706**	**1,983,387**
Cumulative net liquidity gap	**(4,570,651)**	**(4,716,293)**	**(4,038,047)**	**(3,180,301)**	**(2,330,911)**	**(1,790,156)**	**(1,255,377)**	**(978,884)**	**(976,319)**	**1,983,387**	
Off-balance sheet equity of investment accountholders	95,648	105,162	171,309	315,228	13,632	7,316	5,953	-	-	-	714,248

27 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The consolidated maturity profile at 31 December 2012 was as follows:

	Up to 1 Month US$ '000	*1 to 3 months US$ '000*	*3 to 6 months US$ '000*	*6 months to 1 year US$ '000*	*1 to 3 years US$ '000*	*3 to 5 years US$ '000*	*5 to 10 years US$ '000*	*10 to 20 years US$ '000*	*20 years and above US$ '000*	*Undated US$ '000*	*Restated Total US$ '000*
ASSETS											
Cash and balances with banks	1,950,294	-	-	-	-	-	-	-	-	1,977,289	3,927,583
Receivables	1,473,098	1,234,714	1,483,936	1,886,856	2,650,402	1,184,327	482,347	6,145	316	60,360	10,462,501
Mudaraba and Musharaka financing	441,016	10,658	11,128	27,215	99,840	216,256	118,108	10,908	7,183	11,242	953,554
Investments	813,016	179,056	187,036	261,056	418,758	62,781	76,608	8,408	-	177,035	2,183,754
Ijarah Muntahia Bittamleek	11,355	10,404	93,558	32,243	76,088	145,324	154,426	191,655	2,486	2,080	719,619
Property and equipment	-	-	-	-	-	-	-	-	-	386,496	386,496
Other assets	81,949	5,833	13,852	9,650	97,812	18,852	2,007	-	-	191,669	421,624
Total assets	4,770,728	1,440,665	1,789,510	2,217,020	3,342,900	1,627,540	833,496	217,116	9,985	2,806,171	19,055,131
LIABILITIES											
Customer current and other accounts	3,820,735	-	-	-	-	-	-	-	-	-	3,820,735
Due to banks	592,170	104,315	44,927	227,636	3,232	-	-	-	-	-	972,280
Long term financing	-	-	-	-	-	-	12,796	-	-	-	12,796
Other liabilities	261,513	35,024	52,304	18,384	30,626	20,602	30,487	-	-	228,072	677,012
Total Liabilities	4,674,418	139,339	97,231	246,020	33,858	20,602	43,283	-	-	228,072	5,482,823
Equity of investment accountholders	2,528,078	1,260,004	1,457,831	2,740,540	2,745,716	801,290	69,560	1,609	-	-	11,604,628
Total liabilities and equity of investment accountholders	7,202,496	1,399,343	1,555,062	2,986,560	2,779,574	821,892	112,843	1,609	-	228,072	17,087,451
Net liquidity gap	(2,431,768)	41,322	234,448	(769,540)	563,326	805,648	720,653	215,507	9,985	2,578,099	1,967,680
Cumulative net liquidity gap	(2,431,768)	(2,390,446)	(2,155,998)	(2,925,538)	(2,362,212)	(1,556,564)	(835,911)	(620,404)	(610,419)	1,967,680	
Off-balance sheet equity of investment accountholders	153,504	154,632	32,855	58,832	5,396	113,404	5,305	-	-	74,867	598,795

27 RISK MANAGEMENT (continued)

b) Credit risk

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

Type of credit risk

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

Sales (Murabaha) receivables

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

Salam receivables

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

Istisna'a receivables

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

Mudaraba financing

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

Musharaka financing

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

Ijarah Muntahia Bittamleek

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

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

	Maximum exposure	
	2013	*2012*
	US$ '000	*US$ '000*
Receivables	**10,818,219**	10,462,501
Mudaraba and Musharaka financing	**1,192,125**	953,554
Investments	**2,402,830**	2,183,754
Ijarah Muntahia Bittamleek	**942,048**	719,619
Other assets	**163,109**	152,246
Total	**15,518,331**	14,471,674
Commitments and contingencies	**4,947,667**	4,753,594
	20,465,998	19,225,268

27 RISK MANAGEMENT (continued)

b) Credit Risk (continued)

Credit quality by type of islamic financing contracts

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

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

Type of Islamic Financing Contracts	*31 December 2012* Neither past due nor non performing US$ '000	Past due but performing US$ '000	non performing islamic financing contracts US$ '000	Total US$ '000
Receivables	10,280,770	67,880	519,581	10,868,231
Mudaraba and Musharaka financing	877,823	61,673	38,940	978,436
Other assets	144,593	6	19,266	163,865
	11,303,186	129,559	577,787	12,010,532

Aging analysis of past due but performing Islamic financing contracts

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

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

Type of Islamic Financing Contracts	*31 December 2012* Less than 30 days US$ '000	31 to 60 days US$ '000	61 to 90 days US$ '000	Total US$ '000
Receivables	39,268	13,052	15,560	67,880
Mudaraba and Musharaka financing	53,486	6,141	2,046	61,673
Other assets	3	1	2	6
	92,757	19,194	17,608	129,559

27 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Credit Risk Mitigation

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

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

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

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

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

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

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

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

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

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

27 RISK MANAGEMENT (continued)

b) Credit risk (continued)

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

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

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

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

27 RISK MANAGEMENT (continued)

c) Concentration risk

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

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

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

	2013			*2012*		
	Assets US$ '000	***Liabilities US$ '000***	***IAH US$ '000***	*Assets US$ '000*	*Liabilities US$ '000*	*IAH US$ '000*
Manufacturing	**3,227,128**	**236,521**	**218,488**	3,107,675	129,759	157,132
Mining and quarrying	**130,116**	**1,657**	**17,237**	110,693	1,941	26,052
Agriculture	**60,270**	**1,716**	**13,733**	56,303	1,650	13,390
Construction and real estate	**2,465,574**	**37,046**	**18,948**	2,444,318	43,443	23,905
Financial	**2,584,615**	**2,012,009**	**1,735,894**	2,229,134	328,450	1,420,901
Trade	**1,771,409**	**178,337**	**234,779**	1,749,522	162,217	194,686
Personal and consumer finance	**2,480,616**	**3,154,443**	**8,911,711**	2,426,407	2,773,755	8,531,145
Government	**5,236,727**	**28,058**	**60,738**	4,565,030	29,244	64,375
Other Services	**3,011,104**	**934,941**	**1,187,916**	2,366,049	2,012,364	1,173,042
	20,967,559	**6,584,728**	**12,399,444**	19,055,131	5,482,823	11,604,628

d) Market risk

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

Profit rate risk

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

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

Equity price risk

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

The Group has total equity portfolio of US$ 100,047 thousand (2012: US$ 178,686 thousand) comprising of equity-type instruments at fair value through equity amounting to US$ 97,087 thousand (2012: US$ 176,104 thousand) and equity-type instruments at fair value through statement of income amounting to US$ 2,960 thousand (2012: US$ 2,582 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's consolidated net income or owners' equity.

27 RISK MANAGEMENT (continued)

d) 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.

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

	2013		
	Operational equivalent Long (short) US$ '000	***Strategic equivalent Long (short) US$ '000***	***Total equivalent Long (short) US$ '000***
Currency			
Turkish Lira	**(152,571)**	**392,016**	**239,445**
Jordanian Dinar	**(12,571)**	**246,406**	**233,835**
Egyptian Pound	**183,030**	**124,230**	**307,260**
Sudanese Pound	**1,963**	**23,837**	**25,800**
Algerian Dinar	**-**	**143,069**	**143,069**
Lebanese Pound	**(584)**	**18,597**	**18,013**
Pound Sterling	**41**	**-**	**41**
Tunisian Dinar	**46,307**	**-**	**46,307**
Euro	**(4,999)**	**-**	**(4,999)**
South African Rand	**5,271**	**22,607**	**27,878**
Pakistani Rupees	**(18,047)**	**62,234**	**44,187**
Syrian Pound	**(15,481)**	**6,956**	**(8,525)**
Others	**11,054**	**-**	**11,054**

	2012		
	Operational equivalent Long (short) US$ '000	*Strategic equivalent Long (short) US$ '000*	*Total equivalent Long (short) US$ '000*
Currency			
Turkish Lira	(137,396)	390,044	252,648
Jordanian Dinar	34,044	220,726	254,770
Egyptian Pound	(33,434)	123,726	90,292
Sudanese Pound	882	18,814	19,696
Algerian Dinar	-	139,803	139,803
Lebanese Pound	165	17,825	17,990
Pound Sterling	(2,232)	-	(2,232)
Tunisia Dinar	117	-	117
Euro	29,310	-	29,310
South African Rand	-	26,445	26,445
Pakistani Rupees	2,517	41,181	43,698
Syrian Pound	(22,665)	8,488	(14,177)
Others	7,877	-	7,877

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

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

27 RISK MANAGEMENT (continued)

d) Market risk (continued)

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

At 31 December 2013

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

At 31 December 2012

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	52,937	(10%)	(4,812)	10%	5,882
	Total owners' equity	110,296	(10%)	(22,736)	10%	27,789
Egyptian Pound	Net Income	26,203	(15%)	(3,418)	20%	6,551
	Total owners' equity	44,195	(15%)	(21,903)	20%	41,890
Turkish Lira	Net Income	118,186	(20%)	(19,698)	20%	29,546
	Total owners' equity	298,537	(20%)	(114,763)	20%	172,145
Sudanese Pound	Net Income	3,400	(15%)	(443)	25%	1,133
	Total owners' equity	4,109	(15%)	(2,990)	25%	7,641
S.African Rand	Net Income	2,769	(10%)	(252)	10%	308
	Total owners' equity	16,106	(10%)	(3,868)	10%	4,728
Syrian Pound	Net Income	6,656	(10%)	(605)	25%	2,219
	Total owners' equity	28,415	(10%)	(3,355)	25%	12,301
Pakistani Rupees	Net Income	(5,698)	(10%)	(633)	15%	743
	Total owners' equity	10,210	(10%)	5,710	15%	(6,703)

27 RISK MANAGEMENT (continued)

e) Operational Risk

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

Operational Risk Management Framework

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

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

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

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

Infrastructure Risks

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

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

Information Technology Risks

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

Staff risk

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

Business risk

This risk may take on the following forms:

1. Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.
2. Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.
3. The extreme case of a completely missing documentation. To hedge this risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore, it is accessible to all employees.

27 RISK MANAGEMENT (continued)

f) Corporate governance

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

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

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

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

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

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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

The Group's investments in sukuk held at amortised cost have fair values amounting to US$ 2,123 million (2012: US$ 1,528 million).

Also included under investments are unquoted equity-type instruments at fair value through equity amounting to US$ 36,587 thousand (2012: US$ 106,661 thousand) which are carried at cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

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

29 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 12.1 million (2012: US$ 2.7 million). This amount has been taken to charity.

30 COMPARATIVE FIGURES

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