

Al Baraka Bank S.A.L.



# Annual Report 2014

A photograph of a modern building facade with a grid of windows, overlaid with a geometric pattern of overlapping triangles in shades of orange, red, and purple. The alBaraka logo is visible on the building's surface.

*alBaraka*



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Al Baraka Bank s.a.l.



## Best Islamic Bank In Lebanon



[www.al-baraka.com](http://www.al-baraka.com)

# Vision and Mission

## Beyond Banking

We feel that banking has a crucial role to play in society and as bankers, we have an incredible responsibility for the resources in our hands. To use this responsibility wisely we rely on Shari'a principles to guide us as we participate in our customer's success: sharing in the development of families, businesses and society at large.

Our success and our customer's success are as intertwined as our beliefs. Taking part - the common effort - is our mutual reward. We see money as the means to capitalise on opportunities and create a better society for all of us.

Money is the means to enter into new opportunities and take part in common effort for mutual reward. As stewards of resources, our efforts contribute to building the community: at home and in the wider world.

## Vision

"We believe society needs a fair and equitable financial system: one which rewards effort and contributes to the development of the community."

## Mission

To meet the financial needs of communities across the world by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

# Values and Positioning

## Our Values

### Partnership

Our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff.

### Driven

We have the energy and perseverance it will take to make an impact in our customers' lives and for the greater good of society.

### Neighbourly

We value and respect the communities we serve. Our doors are always open; our customers always experience a warm-hearted, hospitable welcome and accommodating service.

### Peace of Mind

Our customers can rest assured that their financial interests are being managed by us to the highest ethical standards.

### Social Contribution

By banking with us our customers make a positive contribution to a better society; their growth and our growth will benefit the world around us.

## Our Positioning

Our intimate knowledge of our customers, communities and local markets, combined with our geographic reach and international influence make it possible for us to build lasting partnerships and create more value for the businesses, families and communities we serve.

## Chairman

Mr. Adnan Ahmed Yousif



Praise be to Allah, prayer and peace be upon His messenger, his family and his companions

Dear Shareholders,

It is my pleasure on behalf of Al Baraka Bank SAL board of directors and executive management to offer you the annual report of Al Baraka Bank SAL for the year that ended on December 31, 2014.

In 2014, Lebanon remained for the third consecutive year under the influence of crises experienced by neighboring countries, particularly Syria. This is in addition to the developments and events in Iraq, which affected industrial exports in particular.

However, thanks to Allah and His infinite bounty, Baraka Bank SAL was able to achieve a marked improvement in most budget items.

## Lebanese Economy During 2014 – Overview

Distinguished Ladies and Gentlemen,

During 2014, the Lebanese economy has seen a relative improvement in performance, but remained below the actual desired level in the midst of the continuing regional commotion and direct repercussions on the local scene. Accordingly, it is estimated that the actual economic growth has registered some – albeit relatively modest – improvement in 2014, as indicated by the growth of the average general economic index issued by the Central Bank of Lebanon, which accounted for 2.7% in the first eleven months of 2014. This reflects the average performance of the most important indicators of the real sector, the majority of which have seen net gains over the past year.

On the level of public finance, it has witnessed progress in the first 10 months of 2014, compared to the same period of the previous year, as the overall fiscal deficit ratio declined due to the lower volume of public expenditures, while the volume of public revenues increased. Total spending amounted to about \$11.3 billion, down an annual rate of 1.5% for the same period of the previous year, due to a decline in treasury expenses. Meanwhile, state revenues increased by 12 % to \$8.84 billion, leading to this:

**{ decline in the fiscal deficit by 30.7% to \$2.4 billion }**

The gross public debt stood at \$66.6 billion as of year-end 2014, an annual increase of 4.9% from the year-end 2013. After excluding public sector deposits at the Central Bank and commercial banks of the total public debt, the net public debt has achieved an increase of 7.7% to reach \$57.3 billion.

The exchange market in Lebanon has become more immune over the past year, as the Central Bank's reserves reached a record high in absolute values to cover approximately 80% of the currency bloc in pounds and 22 months of import. Foreign assets grew at BDL from \$35.3 billion at year-end 2013 to \$37.9 billion at the end of the year 2014. With the calculation of gold reserves valued at \$11.0 billion at the end of 2014, the total foreign assets of BDL exceed the currency bloc in pounds.

As for the performance of economic sectors in general,

In 2014, economic and agricultural sectors were affected by the prevailing conditions in the country and had a negative performance. Domestic demand increased on agricultural imports but decreased on industrial imports, while the agricultural and industrial sector exports recorded a decline per annum.

The Lebanese agricultural sector recorded a variation in performance, since agricultural exports fell by 4.3% per annum, compared with an annual growth rate of 25.2% in 2013.

As for the industrial sector, it has continued to decline both internally and externally in the year 2014. Industrial exports fell by 16.8% per annum in 2014, after they had registered a decline of 14.0% in 2013.

The real estate sector sales value increased by about \$700 million, which is equivalent to 4.8% compared with the year 2013, and the number of real estate transactions rose by 2.20% per annum to 70,721 transactions in 2014 as opposed to 69,168 transactions in 2013. Meanwhile, the value of real estate transactions has achieved an annual increase by 2.77 % on a cumulative level to \$8.95 billion in 2014, from \$8.71 billion in 2013.

On the trade front, there was a slight increase in the airport activity by 0.9% with a rise in the number of travelers by 4.9% to 6.6 million passengers. The Beirut port vessel traffic shrunk by a meager 1.8%, and the movement of goods decreased by 1.2% for the year 2013.

**{ There was an improvement in the performance of the tourism sector where the number of tourists coming to Lebanon increased by 6.3% to reach 1,354,647 tourists in 2014, compared with 1,274,362 tourists during the year 2013 }**

It is worth mentioning that the Bank of Lebanon contributed in 2014 to the support of many key economic sectors, and prevented them from falling in the trap of recession through financial incentives it provided to banks in order to give subsidized loans to economic sectors.

## The Lebanese Banking Sector's Performance During The Year 2014

Dear Brothers,

The Lebanese banking sector recorded healthy growth in 2014, albeit to a lesser extent than in 2013, under difficult operational conditions in the country and amidst an unstable security situation in neighboring countries.

This year has seen an increase in the consolidated balance sheet of commercial banks by 6.6% with \$175.6 billion in assets compared to a rise of 8.5% in 2013 with \$164.82 billion in assets.

Customer deposits recorded a similar growth (6.04%) in 2014, rising from \$136.2 billion in December 2013 to \$144.4 billion in December 2014, an increase of \$8.2 billion from the previous year. Growth in deposits in 2014 was unevenly distributed between the Lebanese pound and foreign currencies, in a repeat of what happened in 2013. Deposits in Lebanese pounds grew by 7.36% and foreign currency deposits by 5.35%, thus leading to lower dollarization of deposits by 0.68% to reach 65.68% at the end of December 2014 compared with 66.13% at the end of December 2013.

In parallel, the Lebanese banks are still recording satisfactory solvency ratios, which reached according to the Basel II standards 14.0 % in June 2014 (according to the latest Central Bank of Lebanon numbers). This percentage is higher than the required minimum, as it provides Lebanese banks with the necessary resistance to face any potential pressure on their capital.

In addition, the private funds have increased at a higher rate than the increase in total assets, with a 10.8% growth after the banks strengthened their capital base, raising the ratio of private capital to total assets from 8.6 % in December 2013 to 9.0 % in December 2014, which boosted bank capitalization ratios.

In terms of profitability, the banking sector recorded alternating net profits amounting to \$1.6 billion compared with the same period of the previous year.

Financing granted by banks to the private sector rose by 7.42% at the end of December 2014, compared with a rise of 9.04% in 2013.

**The Lebanese pound-US dollar exchange rate remained stable (LL 1507.5 per dollar), upping the size of reserves of the Central Bank in terms of gold and foreign currencies**

Interest rates also remained at low levels during 2014.

## Al Baraka Bank Sal Results At The End Of 2014

Distinguished Gentlemen,

The majority of the budget lines of Al Baraka Bank SAL witnessed significant improvement in 2014, with total assets registered at \$447.67 million compared with \$427.83 million at the end of 2013, an increase of 5% equivalent to \$19.84 million.

Moreover, investments in operations of Murabaha, Ijara, Istisna, Musharaka, as well as real estate investments reached \$169.52 million compared with \$185.22 million at the end of 2013, an 8% decrease of a value of \$15.7 million. It must be noted that the amount of \$15 million was due in September 2014 and is being invested monthly for periods lasting less than a month and therefore do not appear at the end of the year.

As for total customer deposits, they rose to \$325.07 million from \$309.79 million at the end of 2013, a 5% increase of \$15.28 million.

General investment expenses recorded \$9.77 million compared to \$9.84 million in 2013, a difference of \$0.07 million caused by a deficit of a \$140,000 on salaries, compared to an increase in the burden of public investment worth \$87,000, mostly from the rent and public services for the new public administration building.

The marked improvement in balance sheet items is mostly due to the improvement in the total Murabaha values due to dealing with external customers in cooperation with Al Baraka Banking Group units and representative offices, in addition to public administration efforts to invest in Murabaha ready money rather than speculation and agencies.

There was an \$11.63 million increase in restricted investments that reached \$82.98 million, an increase of 16% from 2013.

**It must be noted that the general consolidated financial result for 2014 recorded a profit of \$454,000 in the final result**

Finally, I am honored to extend my sincere thanks to the Central Bank of Lebanon for its continued support to all the bank's activities and programs, and its guidance for the betterment of these activities and programs in accordance with Islamic banking standards.

I am also pleased to thank the esteemed Sharia Supervisory Board members for their benevolent efforts, valuable guidance, and noble contributions.

I would also like to extend my thanks and appreciation to all the board members for their efforts over the past year, and I appreciate the sincere efforts made by the executive management and all the staff and employees of Al Baraka Bank SAL.

Our thanks go to our valued customers and our loyal investors who gave us their trust and support, and who helped us achieve our aspirations with the grace of Allah.

Peace, mercy and blessings of Allah

For the Board of Directors,

**Adnan Ahmed Yousif**

Chairman of the Board – General Manager

**Board Member - General Manager**  
Mr. Mutasim Mahmassani



Praise be to Allah, prayer and peace be upon His messenger, his family and his companions

Dear Shareholders,

May the peace, mercy and blessing of Allah be upon you,

Lebanon is still going through difficult circumstances resulting from the tragic events experienced by its neighboring countries, which have been ongoing for more than four years. This has led to fragile economic conditions and a continuing instability in the country at various economic, social, and political levels.

But these difficult circumstances did not prevent us from giving more time and effort to preserve the Bank's achievements and move forward with further expansion and growth. The Bank's management was keen to maintain the improvement in the balance sheet and provide new products and services to the Lebanese consumer, thus confirming its local presence. Indeed, the Bank has received for the second consecutive year the "Best Islamic financial institution in Lebanon" award for 2014 by the US Global Finance Magazine. These awards mean a lot to us and confirm that we are on the right track, and that it is our duty to maintain our achievements and move forward to achieve more.

**The Bank has received for the second consecutive year the "Best Islamic financial institution in Lebanon" award for 2014 by the US Global Finance Magazine**

Distinguished Gentlemen,

This constancy and this growth would not have been possible without the diligent and wise guidance of the Board of Directors, which enabled Al Baraka Bank SAL to progress steadily and achieve positive results.

In confirmation of this trend and in order to meet market needs and customer requirements, the Bank has provided a range of products and services that are appreciated by the public:

"Al Baraka Retail" aims to enable customers to finance purchases such as cellular and electrical devices and furniture through building partnerships with leading companies and institutions. This allows us to offer our customers a variety of options to cater to their different tastes;

"Al Baraka Tourism" gives customers the opportunity to effortlessly finance their travel expenses, including airplane tickets, hotel accommodation, and any other expenses.

We also launched "Al Baraka Wedding", which gives customers the possibility of financing the costs of their wedding with ease, as well as benefit from discounts and offers from a range of certified partners.

Dear Sirs,

The Bank management has moved to its new headquarters in Sanayeh, which were designed to highlight the Bank's brand identity and were equipped with the latest technology. This, in addition to the remarkable repartition of offices and departments, will contribute to greater effectiveness and efficiency of customer service.

As part of its top priorities, the Bank intends to continue to develop its operations and maintain growth rates in the coming years in view of achieving constant and increasing growth in profitability and return on investment while seeking to acquire a larger proportion of the domestic market. To achieve this goal, the Bank will provide distinctive quality banking products and services that are consistent with the provisions of Islamic Sharia. It will also conduct finance and investment operations while being keen on achieving a continuous reduction in operating expenses and maintaining the highest quality standards in the provision of banking services to all customers.

The Bank has also worked on increasing the level of integration between its various departments in accordance with clear mechanisms and foundations that lead to greater integration of performance and accuracy in implementation, in addition to a tight operations system for performing various banking transactions accurately and safely.

The Bank continuously updates its computer system infrastructure so as to keep pace with the constant development of information technology and maintain the highest degree of accuracy and efficiency in conducting operations. This provides the necessary statistics and information for product development and meets the requirements for disclosure, transparency, and rational banking management.

Human capital remains one of the Bank's key focuses, and the process of staff development is a priority. Accordingly, a number of initiatives were implemented during the year to meet the diverse development needs at various job levels.

The management development program has continued through the nomination of managers to participate in a range of training courses and conferences. It also included career planning for individuals with the most promising possibilities and skills in middle management. This is in addition to the improvement and acquisition of technical banking skills of staff at the operational level, for which the Bank has continued to provide a number of internal training programs and workshops.

**We are confident that we will be able, by the grace of Allah, to strengthen the Bank's presence and enshrine its position as a key element of the Islamic banking market in Lebanon**

Dear Gentlemen,

Social responsibility is essential for Al Baraka Bank SAL, and is at the heart of its operating orientations and principles, which it seeks to establish in the community.

In line with this firm conviction, the Bank has signed cooperation protocols with prestigious universities through which it offered educational grants for outstanding students, encouraging them to research in the field of Islamic banking, and giving them a chance to practice in the various sections of the Bank.

A range of programs and sponsorships was also launched to encourage environmental projects, especially small and medium-sized enterprises, in order to reduce costs and increase efficiency in the use of resources, as well as improving the quality of new green products and services that meet international standards.

Moreover, the Bank continued to support various activities centered on encouraging entrepreneurs and small businesses, in addition to various charities, women's empowerment projects, and cultural, social, sports and youth activities.

Finally, I would like to express thanks and appreciation to the Central Bank of Lebanon for its support and encouragement, and its active role in maintaining the continuity of the Lebanese banking system.

I am also pleased to extend my thanks and appreciation to the members of the Board of Directors for their support and guidance over the past year, in addition to the sincere efforts of all the staff. I would also like to thank the Sharia Supervisory Board members for their good and valuable contributions to the Bank's operation in accordance with the provisions of the Islamic Sharia, and our customers who gave us their trust and support, assuring them all of our keenness to continue to achieve the best results.

**Mutasim Mahmassani**  
Board Member - General Manager



## Financial Indicators

# Financial Indicators

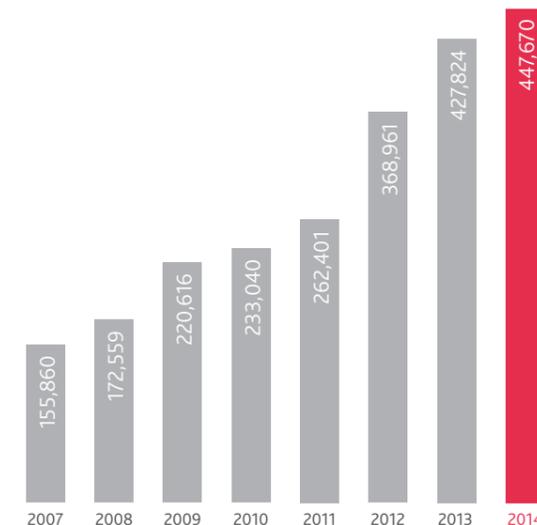


## Amounts in Thousand Dollars

Item/Year	2007	2008	2009	2010	2011	2012	2013	2014
Total Assets	155,860	172,559	220,616	233,040	262,401	368,961	427,824	447,670
Total Financing	33,186	55,852	68,734	80,079	70,958	152,104	177,750	160,352
Total Investments	84,802	71,520	96,772	102,914	117,697	95,211	98,480	107,555
Total Provisions for Doubtful	10,328	10,358	8,316	8,055	7,996	7,871	4,293	4,308
Total Deposits	123,623	129,052	179,771	191,504	225,168	317,229	378,839	408,047
Total Shareholders' Equity	18,260	30,453	27,943	27,043	24,787	24,839	23,315	23,994

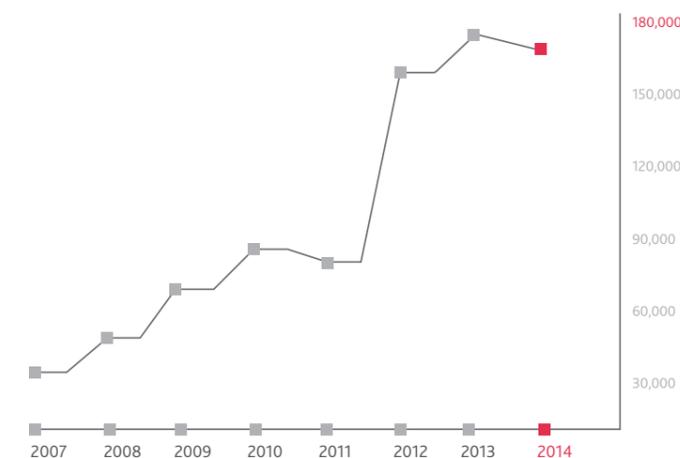
## Total Assets

Year	Total Assets
2007	155,860
2008	172,559
2009	220,616
2010	233,040
2011	262,401
2012	368,961
2013	427,824
2014	447,670



## Total Financing

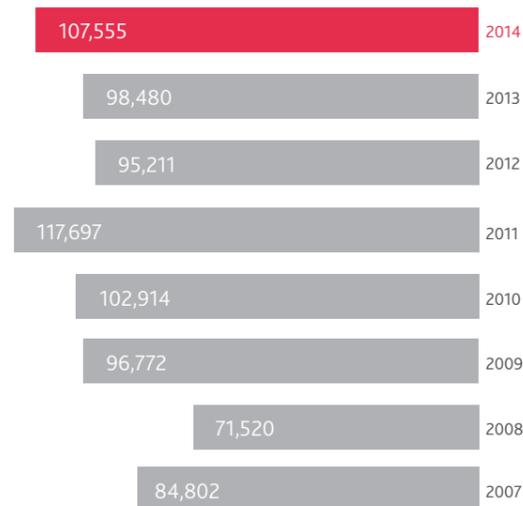
Year	Total Financing
2007	33,186
2008	55,852
2009	68,734
2010	80,079
2011	70,958
2012	152,104
2013	177,750
2014	160,352



# Financial Indicators

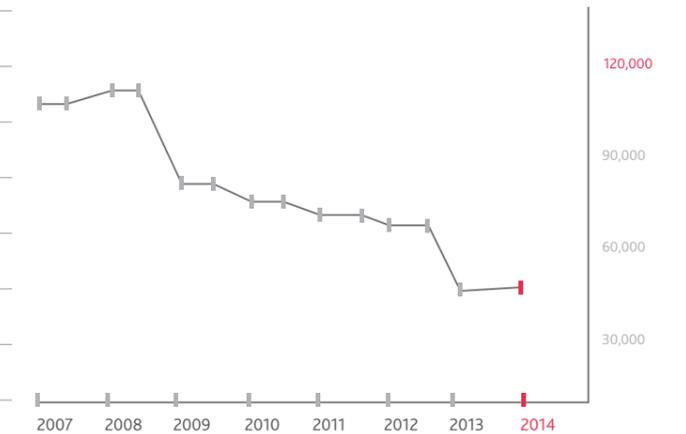
## Total Investments

Year	Total Investments
2007	84,802
2008	71,520
2009	96,772
2010	102,914
2011	117,697
2012	95,211
2013	98,480
2014	107,555



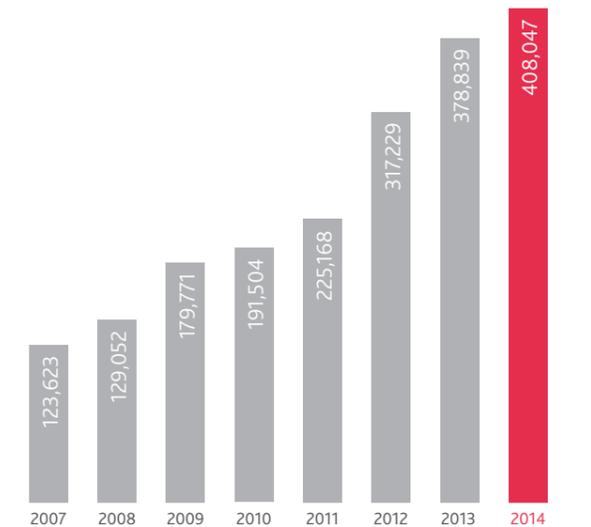
## Total Provisions For Doubtful

Year	Total Provisions for Doubtful
2007	10,328
2008	10,358
2009	8,316
2010	8,055
2011	7,996
2012	7,871
2013	4,293
2014	4,308



## Total Deposits

Year	Total Deposits
2007	123,623
2008	129,052
2009	179,771
2010	191,504
2011	225,168
2012	317,229
2013	378,839
2014	408,047



# Financial Indicators

## Total Shareholders' Equity

Year	Total Shareholders' Equity
2007	18,260
2008	30,453
2009	27,943
2010	27,043
2011	24,787
2012	24,839
2013	23,315
2014	23,994



## Board Members and Executive Management

# Board Members



**Mr. Adnan Ahmad Yousif**  
Chairman - General Manager



**Mr. Saleh Al Yousef**  
Vice Chairman



**Mr. Mutasim Mahmassani**  
Board Member  
General Manager



**Me. Joseph Khoury Helou**  
Board Member



**Mr. Hachem Abou Abboud**  
Board Member



**Mr. Farouk Mahfouz**  
Board Member



**Dr. Hussein Said Saifan**  
Board Member



**Mr. Hisham Al Shaar**  
Board Member

**Mr. Adnan Ahmad Yousif**  
Chairman - General Manager

Mr. Adnan Ahmad Yousif is an eminent Bahraini banker with a Master's degree in Business Management from the University of Hull, UK. He has been Executive Chairman of Al Baraka Banking Group since 2004 and he serves as Board Member as well. Mr. Yousif serves as Director on the Boards of Jordan Islamic Bank, Banque Al Baraka D'Algerie, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd. - South Africa, Al Baraka Bank Egypt, Al Baraka Bank Lebanon, Al Baraka Bank Syria, Al Baraka Bank Sudan, and Al Baraka Bank (Pakistan) Ltd. He is also Board Member of Al Baraka Islamic Bank- Bahrain and Al Baraka Bank Tunisia. Mr. Adnan Youssef enjoys international banking experience spanning over 38 years and covering many financial institutions and social organizations. He was twice recipient of "Islamic Banker of the Year" award granted by the World Islamic Banking Conference in December 2004 and December 2009. He was elected in 2007 Chairman of World Union of Arab Banks and was re-elected for the position in April 2010 for another period of three years. He also received the 2012 Excellence in Leadership and Institutional Performance Award for "Wise Leadership" category in the field of Arab banking bestowed by the Arab Administrative Development Organization, a specialized organization stemming from the League of Arab States, in collaboration with Tatweej Academy. He was also granted Award for Excellence in Achievement for 2012 granted by American Finance House "LARIBA" in recognition of his leading role in development and operation of the largest Islamic banking group on the international level.

**Mr. Saleh Al Yousef**  
Vice Chairman

Mr. Saleh Al Yousef is a prominent Kuwaiti businessman with a Bachelor of Commerce degree from Kuwait University and over 31 years of banking experience. He has been Chairman of Board of Directors and Managing Director of the Industrial Bank of Kuwait from 1988 to 2005. Prior to that, Mr. Al Saleh has held several executive positions at the Industrial Bank of Kuwait and Central Bank of Kuwait and served as Chairman of Board of Directors of ABC Islamic Bank - Bahrain and of the Supervisory Board of Arab Banking Corporation - Frankfurt. He was also a Board Member of Securities Group Kuwait in 1986 as well as of a number of financial institutions including Gulf Bank - Kuwait, Arab Banking Corporation - Bahrain and Ahli United Bank - London. In addition, Mr. Yousef has been Chairman and Managing Director of Afkar Holding Company until September 2010, and Board Member of Gulf Investment Corporation until April 2010. He is currently Vice Chairman of Al Baraka Bank.

# Board Members

## Mr. Mutasim Mahmassani Board Member – General Manager

Mr. Mutasim Mahmassani has been General Manager and Board Member of Al Baraka Bank SAL since 2006. He is also a member of World Union of Arab Bankers. Mr. Mahmassani has an accumulated experience of more than 37 years earned through different administrative positions he has held in a number of international and regional banks covering various aspects of banking industry. In addition, he has assumed chairmanship and membership of administrative boards in a number of financial institutions and real estate companies. Mr. Mahmassani has received his Bachelor's and Master's degrees in business administration from the American University of Beirut.

## Me. Joseph Khoury Helou Board Member

Me. Joseph Khoury Helou is a prominent lawyer and descendent of a family renowned for serving the law and the judiciary. His father, Wajih Khoury Helou, was a judge during the French Mandate and his grandfather was also a judge during the Ottoman era. He received his education at Collège Notre-Dame de Jamhour then completed his high studies at Université Saint-Joseph de Beyrouth (USJ) where he received a Bachelor's degree in Lebanese and French Law. After his graduation in 1979, he was appointed Head of Legal Affairs Unit at the Lebanese Ministry of Justice. In 1982, he was appointed unique judge in Beirut to look into commercial and financial cases. Motivated by his will to return to practicing attorneyship, he resigned from the judiciary in the same year and founded his law firm under the name of Joseph Khoury Helou and Associates. The firm services included a number of institutions and companies covering industry, real estate, maritime trade, proxies, commerce, hospitalization and tourism.

Me. Joseph Khoury Helou has authored a number of legal research papers and studies in addition to a number of articles published in L'Orient Le Jour. He is Board Member of Al Baraka Bank SAL and the Bank Attorney.

## Mr. Farouk Mahfouz Board Member

Mr. Farouk Mahfouz is Board Member of Al Baraka Bank SAL. He holds a Bachelor's degree in Accounting in addition to Bachelor's and Master's degrees in Economics and Political Studies. Mr. Mahfouz has extensive experience in banking industry which he started through work as auditor at Audit Department then in the Banking Control Commission of Lebanon. He also served as Head of Lending Department at National Bank for Industrial and Touristic Development S.A.L and he was appointed as Assistant Manager at MEBCO Bank (Middle East Banking Company) then by the Council of Ministers as member of Audit Committee and representative of National Deposit Guarantee Institution (NDGI) where he served for 20 years. He is also member of Risk Committee at BBAC (Bank of Beirut and the Arab Countries SAL). Mr. Mahfouz has experience in different sectors including his work as accounting advisor for Arab Security Force, then Arab Deterrent Force, state representative at Télé Liban Board of Directors, and financial advisor to the Board. In addition, he has worked as consultant to the office of the Prime Minister for ministries affairs and was delegated to reconsider social services system for employees at Civil Servants' Cooperative. He has also headed a committee at the Ministry of National Education to prepare sample budget to be presented annually by private schools to the Ministry. He participated in a number of scientific conferences and seminars in Lebanon and abroad and delivered many seminars related to deposit insurance and banking supervision.

## Dr. Hussein Said Saifan Board Member

Dr. Hussein Said Saifan, of Jordan nationality, is Board Member at Al Baraka Bank and holds a Bachelor's degree with major in Accounting and a minor in Economics and Statistics from the University of Jordan in addition to Master's and Doctorate's degrees in Islamic banks. Dr. Saifan has a banking experience spanning over 28 years earned through different administrative positions he assumed lastly as Vice General Manager/ Jordan Islamic Bank. He is also member on Boards of Directors and Boards of Managers as follows:

- Vice Chairman of Board of Managers at Sanabel AlKhair for Financial Investments LLC
- Vice Chairman of Board of Directors of the Industrial Commercial and Agricultural Co. Ltd. (production)
- Vice Chairman of Board of Managers at Future Applied Computer Technology LLC
- Vice Chairman of Board of Managers at Ajloun National Corporation for Culture and Education LLC
- Vice Chairman of Board of Managers at Ajloun National Company for Investment and Development LLC
- Board Member of Islamic Insurance Company PLC
- Vice Chairman of Board of Managers at Omareyah Schools Company LLC
- Member of Accounting and Auditing Standards Board at Accounting and Auditing Organization for Islamic Financial Institutions/Bahrain
- Board Member of Shari'ah College/ World Islamic Sciences and Education University
- Board Member of Securities Depository Center (Jordan Securities Market)
- Board Member of Hajj Fund
- Underwriter licensed from Jordan Securities Commission/ Jordan since 31/5/2005

Dr. Saifan has particular interest in academic and training issues where he chairs Board of Trustees at Ajloun National Private University. He has been a member on several M.A and Ph.D. committees at Yarmouk University, World Islamic Science and Education University, and Arab Academy for Banking and Financial Sciences. He has designed and executed many training programs related to banking and financial operations and accounting, auditing, and banking and Shari'ah supervision.

## Board Members

### Mr. Hachem Abou Abboud Board Member

Mr. Hachem Abou Abboud is Board Member of Al Baraka Bank SAL with a degree in civil engineering from University of Montreal and an MBA in Financial Sciences. Mr. Abou Abboud has over 20 years of experience gained through the different administrative positions he has held at Federal Business Development Bank in Canada which covered different aspects of banking industry. In 1994, he was appointed as Board Member and General Manager of Al-Tawfeek Company for Investment Funds, a subsidiary of Dallah Al Baraka Group specialized in investment in the Lebanese market with around \$60 million investment portfolio. Al-Tawfeek Company is in charge today of supervising different investments in the Lebanese market including Broumana Oasis where Mr. Hachem Abou Abboud holds the position of the General Manager, Al Baraka SAL, Mechref Project and Tripoli Hospital.

### Mr. Hisham Al Shaar Board Member

Mr. Hisham Al Shaar is Board Member of Al Baraka Bank holding a Bachelor's degree in law from Université Saint Joseph (USJ) in addition to pursuing a session in general management at University of Washington. He started his career as a lawyer at Dr. Subhi Mahmassani law office then he was appointed a judge. He started his career in the public field which spanned more than 50 years as Advocate General then as Inquiry Judge in Mount Lebanon. Later, he was appointed as Director General of the Lebanese Ministry of Justice and then of the Internal Security Forces (ISF). He then headed the Central Inspection until his appointment as Secretary General of the Council of Ministers and he continued to serve as consultant to the office of the Prime Minister after his retirement. He is currently the Acting Governor and Executive Manager of the Islamic Development Bank in Jeddah. Mr. Fakhoury worked for 5 years as Acting Chair of Civil Service Council and Acting South Lebanon Governor. He was assigned as government commissioner for many years to the National Council for Scientific Research and Committee for Liquidation of Troubled Banks. He has represented Lebanon in many Arab and international economic conferences and participated in the meetings of 11th session of UN General Assembly and meetings of Islamic countries.

## Executive Management



Mr. Adnan Ahmad Yousif  
Chairman - General Manager



Mr. Saleh Al Yousef  
Vice Chairman



Mr. Mutasim Mahmassani  
Board Member  
General Manager



Mr. Oussama Fakhoury  
Deputy General  
Manager



Mr. Issam Hijazi  
Assistant General  
Manager

# Executive Management

**Mr. Oussama Fakhoury**  
Deputy General Manager

Mr. Fakhoury is Deputy General Manager at Al Baraka Bank SAL and he joined the Bank in late 2007. He is in charge of Credit and Finance, Remedial, Treasury and Marketing Divisions. He enjoys significant and profound experience in banking industry which allowed him to join BankMed in the 1980's where, from his position as Assistant General Manager, successfully worked on development, structuring and management of the Credit and Finance Department. Mr. Fakhoury had a major role in leading BankMed to rank first in credit field for many years and his leadership of the Banking Department has allowed the Bank to expand its network of branches and increase its market share. Mr. Fakhoury worked as Financial Adviser to Lebanese Minister of Finance between 1993 and 1998. He has a Master's degree in Business Administration (MBA) from the American University in Beirut.

**Mr. Issam Hijazi**  
Assistant General Manager

Mr. Hijazi is currently Assistant General Manager at Al Baraka SAL and he supervises Departments of Operations, Administration and Personnel, IT, and Internal Auditing, in addition to the Department of Trade Finance (documentary credits and bank guarantees). In 2007, Mr. Hijazi returned to Lebanon with solid banking experience which was the outcome of more than 27 years of work in multinational banking groups complemented with a diploma in Islamic Banking from the UK.

**Sharia Supervisory Board**

# Sharia Supervisory Board



**Mufti Sheikh  
Abedlatif Darian**  
Sharia Supervisory Board  
Chairman



**Dr. Abedalsatar  
Abou Ghida**  
Secretary General of  
Sharia Board



**Mufti Sheikh  
Khalil Al Mais**  
Deputy Secretary  
General of  
Sharia Board

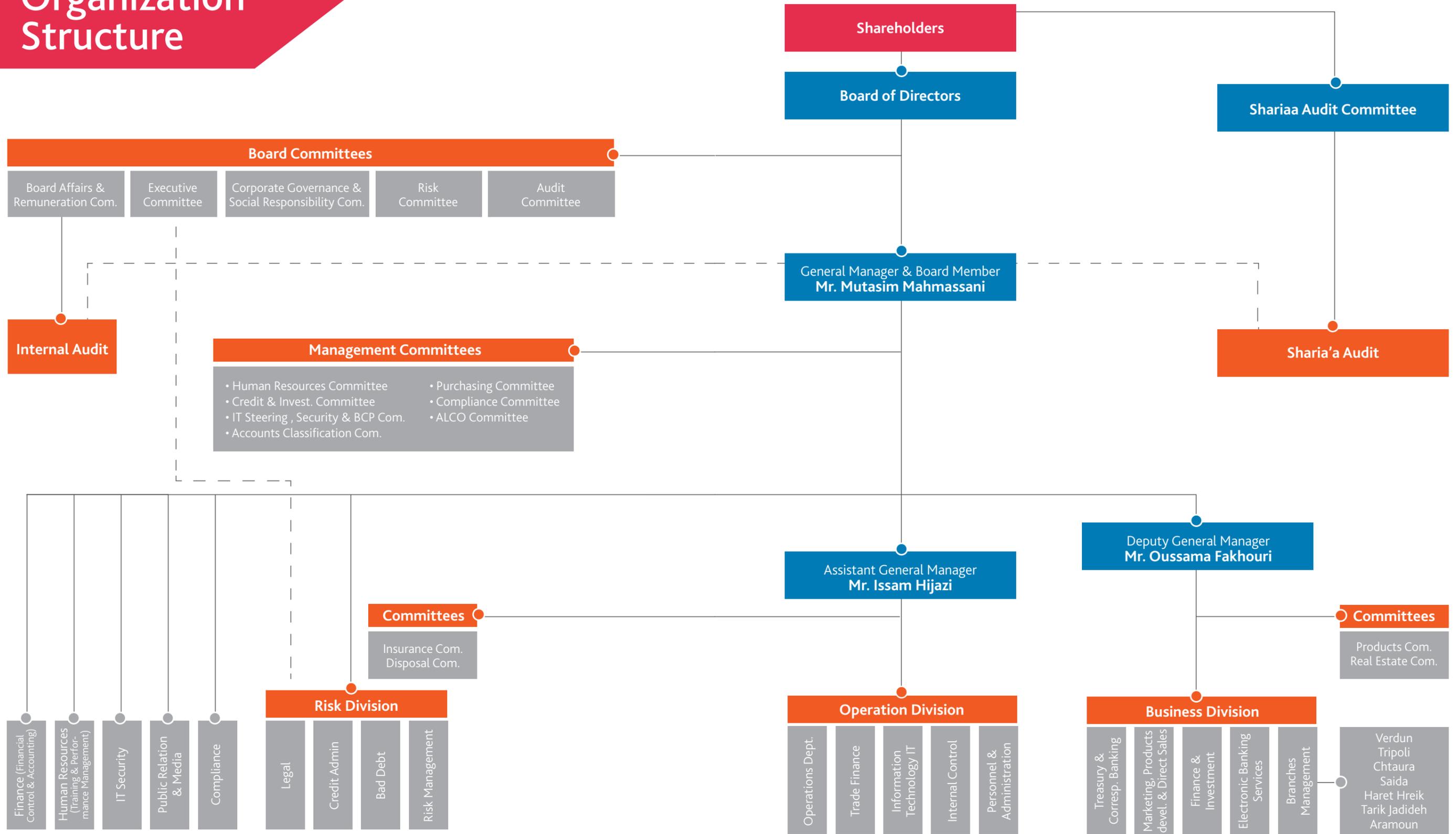


**Sheikh  
Hassan Awwad**  
Sharia Board  
Member



**Sheikh Dr.  
Oussama Al Rifaii**  
Sharia Board  
Member

# Organization Structure





**Corporate  
Governance**

# Corporate Governance

Best Banking Practices provide the framework for future corporate development and performance, with a view to enhance confidence in the activities of the bank, as a recipient of depositors' and shareholders' funds, as well as to enable it to contribute to the development of the Lebanese banking sector.

Thus, Al Baraka Bank S.A.L. has developed the necessary framework and bylaws related to Best Banking Practices, based on the document issued in February 2006 by the international Basel Committee, which contains internationally recognized rules and recommendations, and which do not conflict with the laws and regulations in force in Lebanon, and which are also consistent with all the decrees of the Bank of Lebanon related to Best Banking Practices.

## Board of Directors

Members of the Board of Directors have to be qualified to merit their positions and to be clearly aware of their role in Best Practice, while being able to express sensible views related to the bank's affairs. Final responsibility rests with the Board, and the success of the bank relies on the Board's good discharge of its authority. For this reason, Best Practice requires that the supervisory authorities verify that the bank has the qualified managers to ensure the growth and sustainability of the institution.

## Members of the Board of Directors

The bank shall be managed by a Board composed of three members at least and twelve members at most, elected by the General Assembly from among the shareholders. The General Assembly may dismiss the members of the Board. A majority of the members at least must be Lebanese nationals. The term of the elected members of the Board shall be three years at most, and they may be reelected successively. When forming the Board of Directors, the following issues must be verified:

- Verifying that the board members and members of the senior executive committee in the bank are known for their integrity, honesty, experience and commitment to carrying out the tasks entrusted to them.
- Verifying the professionalism of board members, which would allow them to engage more and more in the tasks assigned to them, and to deeply comprehend the required analyses in the various committees they belong to.
- Verifying that the board members have adequate knowledge of various banking activities and their risks.
- Verifying that the board members devote sufficient time for monitoring and control tasks.

- Appointment and evaluation of the criteria related to non-executive managers in the board:
  - To further affirm the importance of oversight usually entrusted to non-executive members, the individuals who take part in the board or in the bank's management without being part of the executive management, must have the appropriate competences, independence and experience to discharge their responsibilities.
  - Non-executive board members must collectively possess adequate qualifications, competences and experience in financial affairs, to allow them, in general, to contribute effectively in the Board of Directors.

## Membership Table

Name	Nationality	Board of Directors Membership	Committees Membership				
			Executive Comm.	Audit Comm.	Board Affairs Comm.	Sharia Supervisory Board	Risk Management
Adnan Ahmad Yousif	Bahraini	President	President		President	President	
Saleh Mohammad Al Youssef	Kuwaiti	Vice President		President	Member		
Hachem Abou Abboud	Lebanese	Member	Member				Member
Hisham Al Shaar	Lebanese	Member		Member		Member	
Joseph Khoury Helou	Lebanese	Member			Member	Member	Member
Farouk Mahfouz	Lebanese	Member		Member			
Hussein Said Saifan	Jordanian	Member	Member				President
Mutasim Mahmassani	Lebanese	Member	Member				

## Functions of the Board of Directors

### Training And Capacity-Building:

- Ensuring that the bank is taking the adequate steps to train and develop the professional capacities of the members, and that the Board of Directors is following-up the proper execution of these measures intended to impart the required capacities.
- Concerning the mechanism for appointment and resignation:
- Verifying that the bank is implementing a mechanism for the appointment, extension of the term, or resignation of board members or executives

### Notification Of Supervisory Authorities:

- Notifying the supervisory authorities of everything related to the appointment, extension of the term, or resignation of board members or members of senior management.
- Providing the supervisory authorities with the information that allows them to assess the qualifications of senior management members to discharge the tasks that will be entrusted to them.
- The approval of the supervisory authorities of the appointments of board members.
- Informing the supervisory authorities of the distribution of tasks among managers in various departments, and changes that may occur later.

### The Assessment Of The Qualifications Of Executive Managers:

- The responsibility for assessing the required qualifications rests with the bank's management, while the supervisory authority shall evaluate the system the bank follows in the process.

### Remunerations:

- Verifying that the rules followed in determining the allowances and remunerations of board members and senior executive management are in line with its goals, values and interests, and that the remunerations given to board members are linked to the results achieved by the bank over the longer term.

### The bank should be managed in a transparent manner:

- The shareholders and market participants and other bank stakeholders must have access to a sufficient amount of transparent information about the structure of the bank's shareholders and its goals, so that they can evaluate the effectiveness of the Board of Directors and senior executive manager in running the bank.

### Knowledge of structure and activities

- The Board of Directors and senior executive management must be aware, each within the scope of its responsibilities, of the bank's operational structure, especially when the bank is active in a legal environment or by means of organizational structures that lack in transparency or may hinder transparency.

## Board of Directors Attendance

Name	Number of Meetings	Number of Meetings Attended By Member
Adnan Ahmad Yousif	4	4/4
Saleh Mohammad Al Yousef	4	4/4
Mutasim Mahmassani	4	4/4
Hachem Abou Abboud	4	3/4
Hisham Al Shaar	4	4/4
Joseph Khoury Helou	4	3/4
Farouk Mahfouz	4	4/4
Hussein Said Saifan	4	4/4

## Board of Directors Attendance

### The Board Of Director's Activity Organization

- The board must convene at least four times and whenever needed; the executive management shall propose the issues it believes are important for the agenda of each meeting.
- The bank must provide the board members with adequate information, sufficiently before board meetings, to enable them to take appropriate decisions.
- The responsibilities of board members must be clearly defined in line with relevant legislation; the bank must provide each member of the board upon his election with a letter explaining the rights, responsibilities and duties of the board member
- All banking operations that require the approval of the Board, for example, must be clarified in writing.
- Members and committees of the board may directly communicate with executive management.
- Members and committees of the board, where appropriate, may use the help of external sources to discharge the responsibilities entrusted to them in the best manner.
- The bank shall put in place an organizational structure that shows the reporting line, and a part of the organizational structure shall be disclosed to the public, showing the levels of upper management in the bank.

## Activities of the Board

### The Bank Is Committed To The Following Policies:

- Appointing a General Manager who meets the required qualities for integrity, technical competence and financial experience.
- Obtaining the approval of the Board when appointing some executive managers, and ensuring that they have the required experience for their posts.
- The Board approves succession plans for executive managers in the bank, which shall include the qualifications and requirements that the occupants of these posts must have.
- Evaluating the performance of the General Manager by the Board on an annual basis.
- Evaluating the performance of the Board as a whole, and each member individually, through the Nomination and Remuneration Committee annually, and to consider the outcome of the assessment in order to act accordingly.
- The Board shall determine the objectives of the bank, and direct executive management to draft a strategy to achieve these objectives. The executive management shall draft action plans that are in line with those strategies, and ensure that it reviews performance and achievements, in accordance with the action plans, and take corrective action where necessary.
- The Board shall ensure that the bank meets the requirements of high integrity in its activities.

## Powers of the Board of Directors

The Board of Directors has wide powers to enforce the decisions of the General Assembly, and carry out all the activities required to ensure that the project progresses in its normal course, activities that are not considered matters of daily business for the Board, especially the powers which include, but are not limited to, the following:

- Establishing branches for the bank where it deems necessary, either in Lebanon or abroad, provided that the approval of the Bank of Lebanon is obtained first.
- Plans the bank's policies in all the fields of investments it is engaged in, and following up and monitoring the implementation of these policies in accordance with the principles specified by it.

- Authorizes the acquisition or exchange of funds or immovable assets as well as their sale at its discretion, bearing in mind that the acquisition of such funds or assets in order to collect non-performing or doubtful loans, and then selling them, is considered part of daily business.
- Acquiring real estate or property in accordance with the provisions of law No. 575 dated 11/2/2004 concerning the establishment of Islamic banks in Lebanon.
- Establishing all Lebanese or foreign companies, contributing to their establishment and the established companies, or those that will be established, with all the [facilitating] introductions in accordance with the conditions it deems appropriate. The bank participates in all partnerships provided that the provisions of Islamic law are satisfied with respect to the purpose and activities of these companies.
- Sets budgets, inventories, and accounts to be submitted to the General Assembly of the shareholders, and approves all proposals put forward to the Assembly and sets the agenda.
- The Board of Directors determines the strategic goals and the management's values and ethics, and shall circulate them in the bank and oversee compliance by everyone and at different levels.
- Identifying strategic objectives and corporate values for the bank in question, in addition to the guidelines that explain how these values can be adhered to. This requires that these values be public and circulated to all employees in the organization. It is very important that the Board and senior management give a good example by strictly abiding by these values (Tone at the Top).
- The Board verifies that the code of professional ethics addresses issues and behaviors that are contrary to professional ethics or in violation of laws and regulations, such as issues of corruption or unduly accepting gifts, or questionable practices among the employees of the organization (such as giving facilities or preferential revenues) or engaging in internal or external illegal activities.
- Compliance plays an important role in maintaining and adhering to the policy set for the institution, and in avoiding legal and administrative risks and financial losses resulting from the reputation of the bank becoming tainted, as a result of failing to respect the rules that govern the work of the institution, be they legal, regulatory or related to professional and ethical standards, or the directives of the executive branch, especially those pertaining to the strategy set by the Board of Directors.
- The Board shall ensure that the policies set and implemented by senior management, will include the organizational and administrative framework and measures that can detect and anticipate potential conflicts of interest, and seek to prevent this, or at least deal with it appropriately in a manner that does not conflict with the interests of the customers and regulations in force.
- The Board shall establish a hierarchy and clearly define responsibility and accountability for officials, and to make their observance mandatory at all levels in the bank.
- Management shall set, in written, the qualifications, duties, responsibilities and tasks of the constituent units of the institution, in addition to the jurisdictions of the employees working in them. The Board shall monitor the compliance of executive management to the policies set by it.

# Corporate Governance

- Ensuring that senior executive management exercises strict oversight of the bank, in accordance with the policy set for it.
- Ensuring that senior management has a system of internal control in place, which would prevent making and implementing administrative decisions by any one person (the principle of dual control, at the least).

## Obligations of the Board of Directors

The Board of Directors shall implement the decisions of the General Assembly meetings and be responsible for the bank's overall management. The Board shall undertake, but is not limited to, the following:

- Preparing a summary statement of the bank's assets and liabilities at the end of the first six months of each fiscal year.
- Preparing the balance sheet, the annual budget, and the accounting of profits and losses for the previous fiscal year and all other reports mentioned in the laws and regulations.
- Preparing an annual report on the bank's activities during the previous fiscal year, and submitting appropriate proposals especially concerning the distribution of dividends.
- Publishing the annual budget pertaining to the previous fiscal year, and a list of board members and auditors within two months from the date the ordinary annual General Assembly of shareholders approves the annual accounts, in accordance with the provisions of Article 101 of the Commerce Law.
- Establishing the necessary legal and regulatory reserves
- The Board of Directors must remedy immediate risks by:
  - Identifying and understanding the purpose of and risks resulting from offering and trading bank stocks and certificates of deposits related to them in regulated financial markets.
  - Placing ceilings on the bank's operations in line with relevant legislation and regulations, and ensuring that senior executive management has policies and frameworks in place for the identification and management of risks in these operations.

- Developing the appropriate policies and measures to allow a periodic assessment to determine the extent of the bank's need for issuing these products and instruments as part of its evaluation of the performance of the management, and approving only the trade of complex instruments and financial instruments whose financial and legal risks can be evaluated and managed.
- Identifying, measuring and managing important risks, including reputational risk due to engaging in this kind of operations.

## Chairman of the Board and the General Manager

The Board shall appoint the Chairman and the General Manager, preferably not the same person for both posts.

### The role of the Chairman of the Board of Directors:

- Establishing a constructive relationship between the Board and the senior executive management of the bank, and between executive and non-executive members.
- Creating a culture – during Board meetings – that encourages constructive criticism in the issues where there is a difference of views between the members, and also encourages discussions and voting over these issues.
- Ensuring that board members and shareholders receive sufficient information in a timely manner
- Ensuring that high standards of best banking practice are observed at the bank

## Committees of the Board of Directors

- Where appropriate, the Board may form committees to carry out specific tasks for a defined period of time, which the Board may delegate powers and responsibilities to.

## Good Banking Practice Unit

This unit comprises:

- One or more members from among the non-executive members of the Board, one or more members from the advisory body in the Islamic bank, the head of internal audit, and the head of the Sharia auditing unit.
- The Good Banking Practice unit is responsible for the following:
  - Supervision, coordination and development of the necessary bylaws related to good banking practice, and following up their implementation by all departments in the bank and the advisory body.
  - Protecting the interests of bank customers by submitting proposals to senior executive management with respect to issuing internal instructions and guidelines related to all aspects of dealings between the bank and its customers, including disclosure, transparency and the distribution of dividends.

# Corporate Governance

- Providing the Board of Directors each six months or whenever necessary with reports and recommendations based on the results it reaches through the exercise of its functions.

## Best Practice Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Adnan Ahmad Yousif	2	2/2
Hisham Al Shaar	2	2/2
Joseph Khoury Helou	2	1/2

## Audit Committee

This committee comprises:

- Three non-executive members from the Board of Directors including at least with accounting, financial management, or auditing experience.
- The committee meets at least each quarter and whenever needed. The committee may request to meet with any manager in the bank to query him about any issue related to the scope of his work, and shall submit its reports on the results of its functions directly to the Board.
- The Audit Committee shall assist the Board in discharging its responsibilities and oversight role, particularly with regard to the following:
- The qualifications and independence of the auditor and the internal audit unit respectively
- Control of the integrity of financial statements, and reviewing the standards for disclosures adopted in the bank
- Ensuring the adequacy and effectiveness of internal control procedures.
- Monitoring the bank's adherence to the directives of the Bank of Lebanon and the circulars of the Banking Control Commission.

## Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Saleh Mohammad Al Yousef	4	4/4
Hisham Al Shaar	4	4/4
Farouk Mahfouz	4	4/4

## Sharia Supervisory Board

The SSB comprises:

- Ordinary General Assembly meetings shall appoint the body known as the Sharia Supervisory Board (SSB), which shall comprise no less than three members. Its views shall be binding to the Islamic bank.

The SSB handles the following functions:

- Monitoring the operations and activities of the bank in terms of their compliance with Islamic rulings.
- Expressing the Islamic legal opinion on the format of the contracts required for the bank's activities and operations.
- Reviewing any issues assigned to it in accordance with the instructions of the Central Bank issued in this regard.
- Expressing the Islamic legal opinion to the Board of Directors and the General Manager with regard to the bank's transactions.

## Board Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Sheikh Abdul Latif Derian	3	3/3
Sheikh Dr Abdul Sattar Abu Ghuddah	3	3/3
Sheikh Khalil al-Mayss	3	3/3
Judge Sheikh Hassan Awad	3	3/3
Dr. Osama al-Rifai	3	3/3

## Board Affairs and Remuneration Committee

The committee comprises:

- At least three non-executive members provided that they are in their majority independents, including the head of the committee.

The committee shall:

- Name the members of the Board, taking into consideration the capacities and qualifications of the nominees. In case of re-nomination, the committee shall take into account their attendance, and the quality and effectiveness of their participation in the meetings.
- Following well defined and recognized foundations in assessing the effectiveness of the Board, where the criteria for assessing performance shall be objective, and includes a comparison with other banks and similar financial institutions.
- Reviewing the remunerations granted to the executive management and recommending remunerations (including monthly salaries and other benefits for the General Manager).
- The Committee also reviews the remunerations (including salaries) given to the rest of the executive management.
- Disclosing a summary of the remuneration policy at the bank in the annual report of the Bank, and determining the remuneration of the members of the Board, each individually, and the highest salaries that were paid during the year to executives who are not members of the Board.

## Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Adnan Ahmad Yousif	1	1/1
Saleh Mohammad Al Yousef	1	1/1
Joseph Khoury Helou	1	1/1

## Risk Management Committee

The committee comprises:

- At least three non-executive members, who do not hold any managerial positions in the bank. The chairman of the committee and its members shall be appointed and their remunerations determined by the Board

The committee shall:

- Submit reports and recommendations every six months or whenever necessary to the Board of Directors, based on the results it reaches through the exercise of its functions.
- The committee shall review and assess risk management policies and strategies in the bank before they are adopted by the Board, particularly with the following:
  - liquidity.
  - Investment and financing.
  - Credit risk, including financial centers.
  - Status of reserves.
  - The adequacy of insurance policies in covering risk.
  - The adequacy of the regulatory and economic capitals of the bank.
  - Operational risks in all of the bank's divisions and departments.
  - Review and assessment of the risk measurement methods used in the bank.
  - The limits of exposure to risk at the level of the country, currency, time limits, instruments, markets and the respective sectors
  - New products and services before their launch.
- Keeping pace with the rapid developments and growing complexities that arise in the management of risk within the bank, and submitting periodic reports to the Board about these developments

## Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Hussein Said Saifan	4	4/4
Joseph Khoury Helou	4	3/4
Hachem Abou Abboud	4	3/4

## Executive Committee

The Board of Directors appoints the members of the Executive Committee, choosing them from among the members of the Board and/or bank employees. The Executive Committee reports to the Board, which has the right to control it, supervise it and hold it accountable for its tasks. The Committee must also submit periodic reports on its functions to the Board of Directors.

# Corporate Governance

The committee comprises:

At least three members and at most seven; a majority of the members should be selected from the Board, for a term of three years. The Committee shall convene at least four times per year, and may convene whenever needed.

The committee shall:

- In general, set a policy for lending, products and services adopted in the bank in coordination with the Board, particularly relative to specifying the conditions for facilities in line with the provisions of Islamic law.
- Approving facilities in accordance with the schedule approved by the Board of Directors.
- Monitoring the activities and decisions of the Credit Committee to ensure their compliance with the decisions of the Board and the Executive Committee.
- Studying the issues referred to it by the Board; however, this committee's opinion is not binding to the Board.
- Preparing reports for the Board on all the activities of the bank's departments and branches, and proposing ideas for the development of the bank
- It is the responsibility of the Executive Committee to prepare the master plan for operations, and reviewing and expressing opinions on financings and investments deferred to it by the Delegated Member/General Manager, as well as studying all products and services that the bank plans to launch and express its opinion.
- One of the primary tasks of the Executive Committee is to study investment operations within the powers granted to it by the Board of Directors, according to the bank's lending policy. The committee shall also monitor investments and trade transactions undertaken by the General Manager, and defer its decisions and recommendations to the Board if they go beyond its jurisdictions.

## Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Adnan Ahmad Yousif	4	4/4
Mutasim Mahmassani	4	4/4
Hachem Abou Abboud	4	4/4
Hussein Said Saifan	4	4/4

## Monitoring and Control

The financial institution must be subjected to monitoring from both internal and external bodies, which should be independent in the exercise of this oversight.

### Department of Internal Audit

- Regulatory regimes compel the financial institution to adopt internal monitoring of the various activities of the bank, proportionately to the size and nature of its work (the principle of proportionality), and also contain the standards that must be adopted to evaluate the quality of internal control.
- The Board of Directors ensures that effective control is in place over the operations of the bank, and verifies that the recommendations of the internal auditing unit are given full attention by the audit committee. It also ensures that the senior executive management translates these recommendations into measures that strengthen the administrative and organizational structures of the institution. Therefore, it shall seek to fortify the independence of internal control regimes.
- The bank shall provide the internal audit department the sufficient number of qualified personnel, which should be trained and remunerated appropriately.
- The internal audit department shall have the right to access any information and contact any employee in the bank. The department shall be given the authority that would enable it to discharge the tasks entrusted to it as required.
- The internal audit department shall report to the Audit Committee of the Board of Members, and shall directly submit the results of its functions to it.
- The Board shall include in the annual report of the bank a report on the extent of the adequacy of internal monitoring and control systems over financial reporting

# Corporate Governance

## Department of Islamic Law Auditing

The primary objective of Islamic law auditing is to ensure that the bank's management has adhered to its responsibilities in implementing the provisions and principles on transactions in Islamic law, in accordance with the decisions of the SSB.

The Islamic law auditor shall check all the activities of the bank, and prepare a guide for Islamic law monitoring and procedures. This auditor shall prepare forms for Islamic law auditing for all the activities carried out by the bank and its branches, and prepare an annual Islamic law monitoring and auditing plan covering all the activities of the bank and its branches, in addition to following up the implementation by the concerned departments and divisions of all directives issued by the SSB, including fatwas, decisions and instructions. All these functions shall be subject to the approval of the SSB.

## Risk Management Department

The main objectives of this department is to identify, measure, specify, plan, evaluate, and maintain high standards, policies and limits, and distribute jurisdictions to reduce and mitigate risks pertaining to financing, markets and operations.

## Compliance Department

The compliance department seeks to verify the compliance of the bank and its internal policies with all laws, regulations, instructions, orders and rules of conduct, standards and sound banking practices issued by local and international regulatory authorities. It shall determine, evaluate advise, guide and monitor with regard to compliance, as well as submit reports to the Board regarding the extent of compliance in the bank.

## External Auditing

Pursuant to the Banking Law and all provisions contained in any other relevant legislation, the bank is committed to signing an agreement with an external auditor to audit the bank's operations. The external auditor shall discharge all his responsibilities in line with the requirements of international auditing standards. The external auditor shall meet with the auditing committee without the presence of executive management, at least once per year.

# Sharia Supervisory Board Report

# Sharia Supervisory Board Report

In the Name of Allah the Merciful

**Legal Annual Report by the Sharia Supervisory Board  
at Al Baraka Bank SAL  
For the financial year that ended on 12/31/2014**

Praise be to Allah, prayer and peace be upon His messenger, his family and his companions  
To the shareholders of Al Baraka Bank SAL,

May the peace, mercy and blessing of Allah be upon you,

According to Lebanese banks Law No. 575/2004 and its provisions regarding Islamic banks and their Statutes, the Sharia Board provides the following report:

The Sharia Supervisory Board has observed, through the reports of the internal legal audit department, the principles used and the contracts related to the transactions and applications put forward by the Bank during the financial period that ended on 12/31/2014. It also conducted its supervision to express an opinion as to whether the Bank complies with the provisions and principles of the Islamic Sharia, as well as the fatwas, resolutions, and specific instructions issued.

It is the responsibility of the Bank's management to operate in accordance with the provisions of Islamic law, and to ensure said operation. Our responsibility is limited to expressing an independent opinion based on our review of the Bank's operations and to drafting a report for you.

We have conducted our review, which included the examination of the Bank's documentation and procedures based on the selection of each type of operations.

We have planned and performed our review in order to obtain all the necessary information and explanations that will provide us with sufficient evidence to give reasonable assurance that the Bank did not violate the provisions and principles of Islamic law.

## In our opinion

- A. All contracts, operations, and transactions conducted by the Bank during the year that ended on 12/31/2014, which we reviewed, were completed in accordance with the provisions and principles of Islamic law.
- B. The distribution of profits and charging of losses on investment accounts are in line with the foundations we adopted, in accordance with the provisions and principles of Islamic law.
- C. The Bank did not include in its revenues any amounts it received from sources or in ways that are not consistent with the provisions and principles of Islamic law, and took measures for their disbursement for charitable purposes, with the consent of the Sharia Supervisory Board.
- D. The responsibility of paying Zakat lies with the shareholders, and the Bank management is not entitled to withdraw it immediately in the absence of a relevant collection law and also because there is no Bank Statute, General Assembly resolution, or power of attorney from shareholders stipulating this. Therefore, shareholders must submit shares to Zakat upon the fulfillment of legal conditions and controls of Zakat, taking into account the following:

# Sharia Supervisory Board Report

- If the intention when buying or subscribing to shares is trading, then the market value of the shares and dividends is submitted to Zakat.
- If the intention when buying or subscribing to shares is to get profits, not trading, then profits are submitted to Zakat, as well as any zakat assets related to a shareholder's shares in the Bank through investigation and estimation.

Beirut, on 27/01/2015

Praise be to Allah, the Lord of the worlds.

Head of the Sharia Board,  
the Grand Mufti of the Lebanese Republic  
**Sheikh Abdul Latif Derian**



Deputy Secretary General of the Sharia Board  
The Grand Mufti of Zahle and the Bekaa  
**Sheikh Khalil al-Mayss**



Member of the Sharia Board  
**Sheikh Dr. Osama al-Rifai**



Secretary General  
of the Sharia Board  
**Dr. Abdul Sattar Abu Ghuddah**



Member of the Sharia Board  
Head of the Jaafari Legal Courts  
**Judge Sheikh Hassan Awad**



Secretary of the Sharia Board/ Legal Supervisor  
**Sheikh Bilal Muhammad al-Mulla**



## Independent Auditors' Report

# Independent Auditors' Report

To the Shareholders  
Al Baraka Bank S.A.L.  
Beirut - Lebanon

We have audited the accompanying consolidated financial statements of Al Baraka Bank S.A.L., which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of the existing banking laws in Lebanon. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the 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 aspects, the consolidated financial position of Al Baraka S.A.L. as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon  
March 30, 2015

Deloitte & Touche

Sidani & Co.

# Independent Auditors' Report

## AL BARAKA BANK S.A.L. Consolidated Statement of Financial Position

ASSETS	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Cash and Central Bank	5	88,026,883	129,891,766
Deposits with banks and financial institutions	6	16,582,020	31,265,195
Financing facilities	7	19,472,607	12,259,382
Investment securities	8	166,240	203,513
Investments in Sukuk at fair value through profit or loss	9	9,525,742	10,985,906
Investment in an associate	10	1,856,610	1,457,985
Customers' liabilities under acceptances	11	201,742	425,610
Other assets	12	4,956,172	9,086,037
Property and equipment	13	23,080,457	8,548,683
Intangible assets	14	704,453	879,175
Debit balance with unrestricted fiduciary and investments accounts	20,27	-	3,232,803
Debit balance with restricted fiduciary and investments accounts	15,28	5,078,010	-
<b>Total Assets</b>		<b>169,650,936</b>	<b>208,236,055</b>
Unrestricted fiduciary and investments assets	27	387,874,791	334,310,170
Restricted fiduciary and investments assets	28	131,090,127	107,829,291

LIABILITIES	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Deposits from banks	16	16,335,180	37,922,969
Customers' deposits and other credit balances	17	104,948,071	110,206,798
Customers' liabilities under acceptances	11	201,742	425,610
Accounts payable and miscellaneous creditors	18	4,995,417	1,242,878
Provisions	19	2,189,673	1,740,772
Credit balance with unrestricted fiduciary and investments accounts	20,27	5,192,722	-
Credit balance with restricted fiduciary and investments accounts	15,28	-	21,549,616
<b>Total liabilities</b>		<b>133,862,805</b>	<b>173,088,643</b>

EQUITY	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Share capital	21	30,000,000	30,000,000
Shareholders' cash contributions to capital	21	6,531,795	6,531,795
Reserves		615,261	615,261
Cumulative change in fair value of investment securities	8	166,240	203,513
(Accumulated losses)/retained earnings	21	(2,210,264)	78,886
Profit/(loss) for the year		685,099	(2,282,043)
Total equity		35,788,131	35,147,412
<b>Total Liabilities and Equity</b>		<b>169,650,936</b>	<b>208,236,055</b>
Unrestricted fiduciary and investments liabilities	27	387,874,791	334,310,170
Restricted fiduciary and investments liabilities	28	131,090,127	107,829,291

# Independent Auditors' Report

## Financial Instruments With Off-Balance Sheet Risks

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Commitments under documentary letters of credit	26	3,096,997	4,598,267
Commitments under guarantees	26	16,767,660	12,926,570
Issued commitments under documentary letters of credit	26	43,960,687	15,733,815
Financial instruments for customers	26	2,828,262	2,828,262

see accompanying notes to the financial statements

## Consolidated Statement of Profit Or Loss And Other Comprehensive Income

	Notes	Year-Ended December 31st	
		2014 LBP'000	2013 LBP'000
<b>Net Investment Revenues:</b>			
Financing facilities		860,324	550,732
Deposits with banks	22	2,126,553	1,408,378
Investments in Sukuk	9	477,239	480,284
		3,464,116	2,439,394
Cost of funds		(735)	(51,472)
		3,463,381	2,387,922

	Notes	Year-Ended December 31st	
		2014 LBP'000	2013 LBP'000
<b>Net Fees And Commissions Income On Banking Services:</b>			
Fees and commissions income	23	1,182,109	1,135,994
Fees and commissions expense		(284,898)	(230,948)
		897,211	905,046
Gain on exchange		383,875	303,116
Gain on sale of fixed assets		5,517	-
Dividend income		68,552	17,186
Write-back of provisions		51,078	-
Other income		26,267	-
Write-back of provision on doubtful account		-	67,838
Group's share from income of restricted fiduciary and investments	28	794,491	318,508
Group's share from income of unrestricted fiduciary and investments	27 p	10,146,301	8,649,038
		11,476,081	9,355,686
Net financial revenues		15,836,673	12,648,654
Staff costs	24	(8,912,667)	(8,919,679)
General operating expenses	25	(4,628,768)	(4,781,435)
Depreciation and amortization	13,14	(1,610,139)	(1,139,583)
Profit/(loss) for the year		685,099	(2,282,043)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>685,099</b>	<b>(2,282,043)</b>

see accompanying notes to the financial statements

# Independent Auditors' Report

## Consolidated Statement of Changes In Equity

	Share Capital LBP'000	Shareholders' Cash Contribution to Capital LBP'000	Legal Reserve LBP'000	Reserve for General Banking Risk LBP'000
Balance at January 1, 2013	30,000,000	9,933,921	309,393	108,954
Allocation of 2012 losses	-	-	-	-
Increase in capital – Note 21	3,385,179	(3,385,179)	-	-
Extinguishment of accumulated losses - Note 21	(3,385,179)	-	-	-
Total comprehensive loss for the year 2013	-	-	-	-
Other movements	-	(16,947)	-	-
Balance at January 1, 2014	30,000,000	6,531,795	309,393	108,954
Allocation of 2013 losses	-	-	-	-
Accumulated losses of the subsidiary	-	-	-	-
Total comprehensive loss for the year 2014	-	-	-	-
Other movements	-	-	-	-
<b>Balance at December 31, 2014</b>	<b>30,000,000</b>	<b>6,531,795</b>	<b>309,393</b>	<b>108,954</b>

see accompanying notes to the financial statements

Special Reserves LBP'000	Cumulative Change In Fair Value of Investment Securities LBP'000	(Accumulated Losses)/Retained Earnings LBP'000	Profit/(loss) for the year LBP'000	Total LBP'000
196,914	203,513	(3,385,179)	78,886	37,446,402
-	-	78,886	(78,866)	-
-	-	-	-	-
-	-	3,385,179	-	-
-	-	-	(2,282,043)	(2,282,043)
-	-	-	-	(16,947)
196,914	203,513	78,886	(2,282,043)	35,147,412
-	-	(2,282,043)	2,282,043	-
-	-	(7,107)	-	(7,107)
-	-	-	685,099	685,099
-	(37,273)	-	-	(37,273)
<b>196,914</b>	<b>166,240</b>	<b>(2,210,264)</b>	<b>685,099</b>	<b>35,788,131</b>

# Independent Auditors' Report

## Consolidated Statement of Cash Flow

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
<b>Cash Flows From Operating Activities:</b>			
Profit/(loss) for the year		685,099	(2,282,043)
<b>Adjustments for:</b>			
Depreciation and amortization	13, 14	1,610,139	1,139,583
Provisions	19	505,689	452,862
Increase in financing facilities	7	(7,213,225)	(3,564,105)
(Decrease)/increase in customers' deposits and other balances	17	(5,258,727)	19,831,294
Decrease/(increase) in compulsory reserve with the Central Bank of Lebanon	5	1,000,000	(3,590,000)
Decrease/(increase) in deposits with the Central Bank of Lebanon	5	42,213,745	(28,536,890)
Decrease/(increase) in deposits with banks		3,213,932	(5,236,022)
Decrease/(increase) in other assets		4,129,865	(530,969)
Increase/(decrease) in debit balances from unrestricted fiduciary and investments accounts	20	8,425,525	(460,689)
(Decrease)/increase in deposits with banks	16	(21,587,789)	30,605,727
Increase/(decrease) in accounts payable and miscellaneous creditors	18	3,752,539	(201,167)
(Decrease)/increase in credit balances from restricted fiduciary and investments accounts	15	(26,627,626)	12,922,772

## Consolidated Statement of Cash Flow

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Settlement of provisions and other movements	19	(56,788)	(288,910)
Other		(7,107)	(16,947)
Net cash generated by operating activities		4,785,271	20,244,496
Cash flows from investing activities:			
Increase in investments in an associate	10	(398,625)	-
Decrease/(increase) in investment in Sukuk at fair value through profit and loss	9	1,460,165	(3,778,514)
Net increase in property and equipment and intangible assets		(15,967,192)	(3,177,471)
Payment for "Ijara Muntahiya Betamleek"	12	-	(2,261,250)
Net cash used in investing activities		(14,905,652)	(9,217,235)
(Decrease)/increase in cash and cash equivalents		(10,120,381)	11,027,261
Cash and cash equivalents - Beginning of year	30	67,052,781	56,025,520
<b>Cash and cash equivalents - End of year</b>	<b>30</b>	<b>56,932,400</b>	<b>67,052,781</b>

see accompanying notes to the financial statements

# Independent Auditors' Report

## Notes To The Consolidated Financial Statements

Year Ended December 31, 2014

### 1. Bank's Organization And Activities

Al Baraka Bank S.A.L. (the "Bank") was incorporated in Lebanon during 1991. Effective November 6, 1992 a majority stake of the Bank's equity was transferred to Dallah Al Baraka Group. The Bank operates within the Islamic Banking guidelines in the context of the Fiduciary Contracts Law Number 520 dated June 6, 1996, and Islamic Banking Law Number 575 dated February 11, 2004 and consequently, the Bank's activities consist mainly of fiduciary transactions in off-balance sheet accounts.

The consolidated financial statements comprises the Bank and Dilmun Real Estate S.A.L. accounts (the Group). Dilmun Real Estate S.A.L. is a Lebanese joint stock company registered on December 29, 2011 in the Beirut Commercial Register under number 1014734. The company is subject to the applicable Lebanese laws governing the joint stock companies. The company's activities consist of owning money and real estates in Lebanon and other countries for renting and reselling, in addition to shares and bank accounts. It also provides commercial and services operation (except monetary services), buying and renting real estate taking into consideration decree 11614/69 concerning non-Lebanese right in real estate ownership in Lebanon. The company is also eligible to share with any other company, the execution of the above mentioned activities specially owing shares in other local and foreign companies performing the same activities.

Here below is a summary of the Islamic financial instruments carried-out by the Bank:

#### Murabaha:

A contract to sell goods at cost plus and agreed upon profit margin, whereby the seller (the Bank) informs the buyer (the client) of the selling price and the profit that will be recognized.

#### Musawama:

A contract to sell goods at cost plus profit margin, however, the seller (the Bank) does not inform the buyer (the client) about the profit that will be earned from the transaction.

#### Wakala:

A contract upon which the Bank is given the power of attorney to represent the mandator (the client) for trading and investing in transactions that are Islamically acceptable.

#### Istisnaa:

A contract between the Bank and the client whereby the Bank orders the manufacture or acquisition of a specified commodity by the client for an agreed upon price between the Bank and the client.

#### Mudaraba:

A contract between the Bank and the client whereby the Bank provides capital and the client invest with this capital and the profits or losses of the Mudaraba operation are distributed between the two parties according to an agreed upon ratio.

#### Shariaa Committee Decisions:

The Bank's Shariaa committee, resolved in its meeting held on November 19, 2010 to exempt the Bank from the interest revenues paid up to December 31, 2008. However, all interest revenues earned after January 1, 2009 are to be booked in a charity account to be distributed in compliance with Shariaa regulations.

### 2. New And Revised International Financial Reporting Standards (IFRSs)

#### 2.1 Application of New and Revised International Financial Reporting Standards (IFRSs)

In the current year, the Group has applied the following new and revised Standards in preparing its financial statements which did not have a material impact on the amounts and disclosures reported, but may affect the accounting treatment for future transactions or arrangements.

##### Amendments to IFRS 10, IFRS 12, and IAS 27 Investment Entities;

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The amendments require retrospective application.

##### Amendments to IAS32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realization and settlement". The amendments require retrospective application.

# Independent Auditors' Report

## Amendments to IAS36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with definite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application.

## Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

## IFRIC 21 - Levies

IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

## 2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs, related to its operations, that have been issued but not yet effective:

Effective for Annual Periods Beginning on or After

1 July 2014	<ul style="list-style-type: none"> <li>Annual Improvements to IFRSs 2010-2012 Cycle that include amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.</li> </ul>
1 July 2014	<ul style="list-style-type: none"> <li>Annual Improvements to IFRSs 2011-2013 Cycle that include amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.</li> </ul>

1 July 2014	<ul style="list-style-type: none"> <li>Amendment to IAS 19 Employees Benefits clarify the requirements that relate to how contributions from employees of third parties that are linked to service should be attributed to periods of service. In addition, the amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognized as reduction in the the service cost in the period in which the related service is rendered.</li> </ul>
1 January 2017	<ul style="list-style-type: none"> <li>IFRS 15 Revenue from Contracts with Customers- establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.</li> </ul>
1 January 2016	<ul style="list-style-type: none"> <li>Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined under IFRS 3 Business Combinations.</li> </ul>
1 January 2016	<ul style="list-style-type: none"> <li>Amendments to IAS 16 and IAS 38 Classification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.</li> </ul>
1 January 2016	<ul style="list-style-type: none"> <li>Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method of accounting in separate financial statements.</li> </ul>
1 January 2016	<ul style="list-style-type: none"> <li>Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture to (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business; i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by a direct sale of the assets themselves.</li> </ul>
1 January 2016	<ul style="list-style-type: none"> <li>Amendments to IAS 1 Presentation of Financial Statements address perceived impediments to prepares of financial statements exercising their judgment in presenting the financial reports.</li> </ul>

# Independent Auditors' Report

- 1 January 2016 • Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) clarify certain aspects of applying the consolidation exception for investment entities.
- 1 January 2016 • Annual Improvements to IFRSs 2012-2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19, and IAS34.
- 1 January 2018 • IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit early application for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. The main amendments to hedge accounting are summarized by (i) The 80 - 125% rule for testing of hedge effectiveness is no longer required, (ii) hedge effectiveness is measured prospectively with no more consideration for retrospective testing, (iii) funding of foreign investments in foreign currency can be considered as a hedge and related foreign currency adjustment is deferred under equity, (iv) hedging instrument can be re-designated and periodically revisited to eliminate mismatch, and (v) cash flow hedge for fixed income securities classified at amortized cost has become eligible.

This version of the standard remains available for application if the relevant date of initial application is before 1 February 2015.

The final version of IFRS 9 Financial Instruments (2014) was issued in July 2014 to replace IAS 39: Financial Instruments: Recognition and Measurement and introduced the following:

- a) new classification for debt instruments that are held to collect contractual cash flows with ability to sell, and related measurement requirement consists of "fair value through other comprehensive income (FVTOCI), and
- b) impairment of financial assets applying expected loss model through 3 phases, starting by 12 month expected impairment loss to be initiated on initial recognition of the credit exposure, and life time impairment loss to be recognized upon significant increase in credit risk prior to the date the credit exposure is being impaired, and phase 3 when the loan is effectively impaired. On phase 1 and 2 income from time value is recognized on the gross amount of the credit exposure and in phase 3 income is recognized on the net exposure.

Except for IFRS 9 on the provisioning for impairment, the Directors of the Group do not anticipate that the application of these amendments will have a significant effect on the Group's consolidated financial statements.

### 3. Significant Accounting Policies

#### Statement of Compliance:

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The assets and liabilities of the fiduciary accounts are presented separately from the Bank's assets and liabilities and their details are reflected separately in the statement of fiduciary assets and liabilities as disclosed in Notes 27 and 28 whereby the same accounting principles applied to Banks' own accounts are adopted.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of Al Baraka Bank S.A.L. and Dilnum Real Estate S.A.L. controlled by the Bank.

	# of Share	% of Ownership	Approval Date of the Central Bank of Lebanon re Ownership
Dilmun Real Estate S.A.L.	2,970	99%	January 29, 2014

The Bank acquired Dilmun Real Estate S.A.L. shares from Al Baraka Islamic Bank SAB for LBP9.04billion (USD6million) through a Musawama agreement dated November 20, 2012. The Central Bank of Lebanon preliminary approval was granted on February 5, 2014. By the end of the year 2014, the amount of LBP6.78billion was settled and the remaining balance amounting to LBP2.26billion will be settled by the end of 2015.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# Independent Auditors' Report

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Group. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over a subsidiary, then adjustments are made to the financial statements of the said subsidiary and the following is to be done:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

All intra-group transactions and balances between the Bank and its subsidiary are eliminated in preparing the consolidated financial statements.

Accounts under assets and liabilities are listed according to their nature and presented in the financial position in an approximate order according to its liquidity.

## Basis of Preparation

The financial statements have been prepared on the historical cost basis except for the following:

1. Assets and liabilities held for trading.
2. Financial instruments designated at fair value through profit or loss.
3. Investments in equities.
4. Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest
5. Derivative financial instruments measured at fair value.

The principal accounting policies are set out below:

### A. Foreign Currencies:

Transactions in currencies other than the Lebanese Pound (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated into Lebanese Pound at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks that are recognized in other comprehensive income.

### B. Recognition and Derecognition of Financial Assets and Liabilities:

The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

# Independent Auditors' Report

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## C. Classification of Financial Assets:

All recognized financial assets are measured in their entirety at either amortized cost or fair value, depending on their classification.

### Debt Instruments:

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost, less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- Asset are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL").

Even if a debt instrument meets the two amortized cost criteria above, it may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

### Equity Instruments:

Investments in equity instruments are classified as at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see below).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in profit or loss.

On initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI"). Investments in equity instruments at FVTOCI are measured at fair value. Gains and losses on such equity instruments are recognized in other comprehensive income, accumulated in equity and are never reclassified to profit or loss. Only dividend income is recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

### Reclassification:

Financial assets are reclassified between FVTPL and amortized cost or vice versa, if and only if, the Bank's business model objective for its financial assets changes so its previous model assessment would no longer apply. When reclassification is appropriate, it is done prospectively from the reclassification date.

### Reclassification Is Not Allowed Where:

- the other comprehensive income option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

# Independent Auditors' Report

## D. Financial Liabilities and Equity Instruments:

### Classification As Debt or Equity:

Debt and equity instruments issued by the bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Bank's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments is an equity instrument.

### Financial Liabilities:

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

## E. Offsetting:

Financial assets and liabilities are set-off and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to set-off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## F. Fair Value Measurement of Financial Instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

IFRS 13 set the hierarchy levels of the fair value:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

## G. Impairment of Financial Assets:

Financial assets carried at amortized cost are assessed for indicators of impairment at the reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

The Bank considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

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## H. Financing Facilities:

Financing facilities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing facilities are disclosed at amortized cost net of unearned profit and after provision for credit losses. Non-performing loans and advances to customers are stated net of unrealized interest and provision for credit losses because of doubts and the probability of non-collection of principal and/or return.

## I. Investment in an Associate:

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the policies.

Investments in an associate are recorded at cost less provision for impairment. According to the board of directors approval, the Bank's share in the associate losses is transferred from the investment risk reserve account under Unrestricted Fiduciary and Investment Liabilities to the Bank's own accounts

## J. Property and Equipment:

Property and equipment are stated at historical cost in Lebanese Pounds, less accumulated depreciation and impairment loss, if any. Depreciation (other than land) is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

	Years		Years
Buildings Used by the Group	50	Furniture	13½
Office Equipment	13½ - 10	Vehicles	8½
Computer and Electrical Equipment	6½	Computer Software	5
Decoration and General installations	5		

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the differences between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

## K. Intangible Assets:

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any, using the straight-line method at a rate of 20% and is subject to impairment testing.

## L. Investment Properties:

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, at the reporting date. Gain or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income. Valuations are carried out by independent qualified appraisers on the basis of current market values.

## M. Impairment of Tangible and Intangible Assets (Except Goodwill):

At each reporting date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease recognized in the other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## N. Employees' End-of-Service Indemnities:

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were terminated at the statement of financial position date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months remunerations and less contributions paid to the Lebanese Social Security National Fund.

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## O. Provisions:

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation.

## P. Revenue and Expense Recognition:

Interest income and expense are recognized on an accrual basis, taking account of the principal outstanding and the rate applicable, except for non-performing loans and advances for which interest income is only recognized upon realization. Interest income and expense include the amortization discount or premium.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability (i.e. commissions and fees earned on the loan book) are included under interest income and expense.

Other fees and commission income are recognized as the related services are performed.

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income in accordance with IFRS 9, are presented in other revenue, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

## Q. Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized in other comprehensive income (OCI), in which case it is recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the statement of financial position date. Income tax payable is reflected in the statement of financial position net of taxes previously settled in the form of withholding tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally

recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

## R. Fiduciary Deposits:

All fiduciary deposits are held on a discretionary basis and related risks and rewards belong to the account holders and accordingly, they are reflected as off-balance sheet accounts.

## S. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with maturities of a period of three months including cash and balances with the Central Banks and deposits with banks and financial institutions.

## T. Financial Instruments for Customers:

Financial instruments that are recorded under the Bank's name for the customers' benefits at their discretion are not considered part of the bank's assets; therefore, they are not included in the related financial statement.

## 4. Critical Accounting Judgments And Key Sources of Estimation Uncertainty

In the application of the Bank's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Key Sources of Estimation Uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Allowances for Credit Losses – Financing Facilities:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession.

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## Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3F. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

## 5. Cash And Central Bank

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Cash on hand		4,315,989	4,791,367
Current accounts		45,321,949	46,945,439
Time deposits – Compulsory reserve		15,075,000	12,627,270
Commodity Murabaha – Compulsory reserve		-	42,210,000
Commodity Murabaha		22,612,500	22,612,500
Accrued income receivable		701,445	705,190
		<b>88,026,883</b>	<b>129,891,766</b>

Local banking laws and regulations require banks to maintain cash compulsory reserves with the Central Bank of Lebanon in the form of non-income earning deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly demand and term customers' deposits under the bank's own and fiduciary accounts in Lebanese Pounds, respectively. Accordingly, cash compulsory reserves in the amount of approximately LBP17billion as at December 31, 2014 was maintained with the Central Bank of Lebanon (LBP18billion as at December 31, 2013) reflected under "Current accounts".

Local banking laws and regulations require banks to maintain income earning time deposits in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans acquired from non-resident financial institutions and with remaining maturities of one year or less. Accordingly, the Group maintained interest bearing, to be used for charity, deposits with the Central Bank of Lebanon in USD and EUR as follows:

	2014 LBP'000	2013 LBP'000
<b>Group's Own Accounts</b>		
Time deposits – Compulsory reserve	15,075,000	12,627,270
Commodity Murabaha – Compulsory reserve	-	42,210,000
<b>Fiduciary and Investment and accounts (Note 27a)</b>		
Current account – Compulsory reserve	33,214,145	-
Commodity Murabaha – Compulsory reserve	12,060,000	-
	<b>60,349,145</b>	<b>54,837,270</b>

Time deposits with the Central Bank of Lebanon denominated in USD as at December 31, 2014 mature during the first half of the year 2015 (as at December 31, 2013: matured during the first half of 2014).

Commodity Murabaha represents as of December 31, 2014 one Murabaha transaction with the Central Bank of Lebanon through a resident commercial bank as follows:

	Murabaha Amount	Date of Issuance	Maturity Date	Return
	USD			USD
	15,000,000	August 5, 2013	August 7, 2023	11,114,250
Counter value in LBP	22,612,500,000			16,754,731,875

Commodity Murabaha as at December 31, 2013 represents four Murabaha transactions with the Central Bank of Lebanon through a resident commercial bank as follows:

	Murabaha Value	Date of Issuance	Maturity Date	Return
	USD			USD
1 -	8,000,000 <small>compulsory reserve</small>	Sep. 30, 2013	March 31, 2014	6,319
2 -	10,000,000 <small>compulsory reserve</small>	Sep. 30, 2013	June 30, 2014	15,394
3 -	10,000,000 <small>compulsory reserve</small>	Sep. 30, 2013	Sep. 30, 2014	23,750
4 -	15,000,000	August 5, 2013	August 7, 2023	11,114,250
	43,000,000			11,159,713
Counter value in LBP	64,822,500,000			16,823,267,347

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Return on Commodity Murabaha is paid semi-annually. Returns for the year 2014 amounted to around LBP1.73billion (LBP976million for the year 2013) (Note 22).

## 6. Deposits With Banks And Financial Institutions

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Current accounts with resident and non-resident banks		5,193,974	18,124,240
Current accounts with related party banks		2,452,957	686,870
Deposits with resident commercial banks - Wakala		7,220,000	10,278,332
Checks in course of collection		1,572,531	1,877,595
Accrued income receivable		142,558	298,158
		<b>16,582,020</b>	<b>31,265,195</b>

Deposits in Lebanese pounds with resident commercial banks – Wakala outstanding as at December 31, 2014, mature as follows:

	December 31, 2014	
	LBP'000	Average rate of return
<b>Wakala Contracts:</b>		
One month to three months	3,000,000	5.18%
Second half of 2015	4,220,000	5.45%
	<b>7,220,000</b>	

	December 31, 2013	
	LBP'000	Average rate of return
<b>Wakala Contracts:</b>		
Up to one month	1,560,000	5.47%
One month to three months	1,673,000	5.47%
Three months to six months	2,300,000	5.47%
Second half of 2014	4,745,332	5.45%
	<b>10,278,332</b>	

## 7. Financing Facilities

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
Unpaid bills		3,128	4,071,987
"Qard Hassan" - employees		139,997	124,607
Short-term financing – Murabaha		8,561,101	7,351,329
Short-term financing – Musawama		8,408,124	-
Creditors accidentally debtors		1,504,758	30,454
		18,617,108	11,578,377
Unearned income		(153,741)	(82,545)
		18,463,367	11,495,832
Substandard debts		245,697	-
Bad and doubtful debts		763,543	763,550
Unrealized income		-	-
		1,009,240	763,550
Provision for bad and doubtful debts		-	-
		1,009,240	763,550
<b>Total</b>		<b>19,472,607</b>	<b>12,259,382</b>

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Financing facilities are granted for non-resident clients outside the Lebanese territory.

The short-term Musawama financing amounting to LBP8.4billion as of December 31, 2014 represents a financing operation executed with a non-resident bank that was fully settled during the first quarter of 2015.

By the end of 2013, part of the doubtful debts amounting to LBP216million along with its corresponding provision and unrealized income amounting to LBP117million and LBP99million, respectively, were transferred to off-balance sheet accounts.

Unpaid bills outstanding at the end of the year 2014 and amounting to LBP3.1billion are due at the beginning of the year 2015.

## 8. Investments In Securities (Through Other Comprehensive Income)

This caption comprises the following:

Name	December 31, 2014					December 31, 2013		
	Cost LBP'000	Provision For Impairment LBP'000	Net Book Value LBP'000	Fair Value LBP'000	Change In Fair Value LBP'000	Accum- ulated Change In Fair Value LBP'000	Book Value LBP'000	Accum- ulated Change In Fair Value LBP'000
Rymco Shares - Quoted	394,048	(227,808)	166,240	434,335	268,095	166,240	203,513	203,513
MF Global Ltd Shares - Unquoted	428,301	(428,301)	-	-	-	-	-	-
	<b>822,349</b>	<b>(656,109)</b>	<b>166,240</b>	<b>434,335</b>	<b>268,095</b>	<b>166,240</b>	<b>203,513</b>	<b>203,513</b>

The Group did not account for the unrealized gain resulting from the change in fair value amounting to LBP268million as of December 31, 2014.

## 9. Investments In Sukuk At Fair Value Through Profit And Loss

This caption represents Sukuk Wakala issued by banks as follows:

Name	Credit Classifi- cation	Nominal Value	Cost	Fair Value		Change in Fair Value during 2014 LBP'000
				2014 LBP'000	2013 LBP'000	
Qatar Islamic Bank 2.5% matures in 2017	A-	3,768,750	3,783,222	3,799,390	3,749,906	30,640
Qatar International Islamic Bank 2.688% matures in 2017	A-	3,768,750	3,780,056	3,841,977	3,749,906	73,227
Asia bank (Turkey) 7.50% matures in 2023	BB	3,768,750	3,780,056	1,884,375	3,486,094	(1,884,375)
		<b>11,306,250</b>	<b>11,343,334</b>	<b>9,525,742</b>	<b>10,985,906</b>	<b>(1,780,508)</b>

The change in fair value for the year 2014 amounted to LBP1.78billion (LBP339million in 2013). The Group transferred the 2014 portion from reserve for investment risks under unrestricted fiduciary and investment liabilities to the Group's own accounts (Note 27 n).

The movement of Sukuk change in fair value account for the year 2014 is stated below:

	2014 LBP'000
Balance, Beginning of year – Credit	320,343
Net transfer from reserve investment risk account (Note 27 n and 27 f)	1,460,165
Balance, Ending of year – Credit	1,780,508

The Group's return from investment in Sukuk for the year 2014 amounting to LBP477million (LBP480million in 2013) is reflected in the statement of profit or loss and other comprehensive income.

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## 10. Investment In An Associate

The Group's investment in an associate represents the Group's investment in 53.13% of the capital of "Al Aman Takaful Insurance S.A.L." located in Beirut and specialized in Islamic insurance activities. This investment is treated as investment in an associate and not as a subsidiary due to lack of control elements as per IFRS 10.

The investment's movement is as follows:

	2014 LBP'000	2013 LBP'000
Beginning balance	1,457,985	1,457,985
Bank's share in capital increase	398,625	-
Ending balance	1,856,610	1,457,985

The Group booked its share in the associate's 2012 deficit by transferring from reserve for investment risks under unrestricted fiduciary and investment liabilities to the investment in associate under the Group's own accounts (Note 27 n).

The Group's share of the associate's loss for the year 2014 amounted to LBP477.8million (LBP 136 million in 2013) as shown below.

On February 23, 2015 this associate was sold for LBP6.03billion (USD4million) whereby the Group's share amounted to LBP3.2billion (USD2.12million).

The following is a summary of "Al Aman Takaful Insurance S.A.L." financial information:

Summary of Net Assets	2014 LBP'000	2013 LBP'000
Cash on hand and banks	462,001	486,469
Accounts receivable and other assets	940,038	1,177,244
Non-current assets (including cash collaterals)	5,056,926	5,108,753
Due to banks, accounts payable and other liabilities	(1,448,648)	(1,694,929)
Insurance contract liabilities	(2,543,621)	(2,496,752)
Provisions	(180,445)	(145,129)
Net assets	2,286,251	2,435,656
<b>Group's share of net assets</b>	<b>1,214,685</b>	<b>1,294,064</b>

Summary of profit or loss and other comprehensive income	2014 LBP'000	2013 LBP'000
Insurance premiums	1,140,349	1,010,420
Claims incurred	(1,037,231)	(424,339)
Other revenues	61,135	97,886
Staff cost	(690,272)	(639,256)
Operating expenses and depreciation	(354,329)	(280,755)
Income tax	(19,057)	(20,557)
Loss for the year	(899,405)	(256,601)
<b>Group share in loss for the year</b>	<b>(477,854)</b>	<b>(136,332)</b>

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## 11. Customers' Liabilities Under Acceptances

Customers' liabilities under acceptances, amounting to LBP202million as at December 31, 2014 (LBP426million as at December 31, 2013), represent documentary credits which the Group has committed to settle on behalf of its customers against commitments by those customers (acceptances). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

## 12. Other Assets

This caption consists of the following:

	December 31st	
	2014 LBP'000	2013 LBP'000
Due from National Social Security Fund – Medical expenses	1,124,516	883,191
Prepaid expenses	474,824	301,420
Fiscal stamps	61,355	33,746
Other receivables	1,632,656	1,562,357
Due from parent company	36,647	155,874
Regulatory blocked deposit - Lebanese Treasury	1,500,000	1,500,000
Financial participations unquoted	10,553	10,553
Accrued income receivable - Sukuk	115,621	116,396
Payment on account of "Ijara Muntahia Betamleek"	-	4,522,500
<b>Total</b>	<b>4,956,172</b>	<b>9,086,037</b>

The regulatory blocked deposit amounting to LBP1.5billion represents a non-interest earning deposit blocked with the Lebanese Treasury since the inception of the Group in compliance with Article 132 of the Lebanese Code of Money and Credit. This regulatory blocked deposit is refundable in case of cessation of operations.

The payment on account of "Ijara Muntahia Betamleek" represents an amount paid at the end of 2013, related to the property of the new head office of the Group which was reversed against investment in subsidiary after the Group's decision to cancel the "Ijara Muntahia Betamleek" contract and acquire the shares of the said subsidiary through a Mousawama contract approved by the Central Bank of Lebanon.

Due from the National Social Security Fund – Medical expenses amounting LBP1.12billion represent the accumulated amount due to the company since 2008.

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## 13. Property And Equipment

This caption comprises the following:

	Computer Equipment LBP'000	Buildings used by the Group LBP'000	Furniture LBP'000	General Installations LBP'000
<b>Cost:</b>				
Balance as of December 31, 2012	3,605,172	6,287,226	657,085	1,209,017
Additions	636,220	-	501,050	4,899
Sales and disposals	(21,926)	-	-	-
Reclassifications	(2,512)	-	-	(2,570)
Balance as of December 31, 2013	4,216,954	6,287,226	1,158,135	1,211,346
Additions	561,573	14,598,823	24,773	39,115
Sales and disposals	(14,545)	-	(3,317)	(26,331)
Reclassifications other movement	(4,187)	-	-	1,817
Balance as of December 31, 2014	4,759,795	20,886,049	1,179,591	1,225,947
<b>Depreciation:</b>				
Balance as of December 31, 2012	(2,478,120)	(2,106,492)	(457,931)	(1,102,149)
Additions	(422,626)	(187,718)	(42,096)	(46,719)
Balance as of December 31, 2013	(2,900,746)	(2,294,210)	(500,027)	(1,148,868)
Additions	(460,548)	(502,203)	(65,727)	(48,309)
Disposals	33,205	-	1,577	8,623
Balance as of December 31, 2014	(3,328,089)	(2,796,413)	(564,177)	(1,188,554)
<b>Net Book Value:</b>				
December 31, 2014	1,431,706	18,089,636	615,414	37,393
December 31, 2013	1,316,208	3,993,016	658,108	62,478

Additions to "Buildings used by the Group" represent the cost of the floors owned by the subsidiary and used by the Group.

Electrical & Office Equipment LBP'000	Vehicles LBP'000	Decoration LBP'000	Advance payments LBP'000	Total LBP'000
492,150	185,646	2,077,767	430,523	14,944,586
5,769	1,507	84,652	1,738,393	2,972,490
-	-	-	-	(21,926)
-	-	-	-	(5,082)
497,919	187,153	2,162,419	2,168,916	17,890,068
38,988	259,607	184,812	147,030	15,854,721
(4,517)	(151,157)	(323,262)	-	(532,129)
(76)	2,789	1,457	-	1,800
532,314	298,392	2,016,426	2,315,946	33,214,460
(300,123)	(110,734)	(1,943,576)	-	(8,499,125)
(50,796)	(22,288)	(70,017)	-	(842,260)
(350,919)	(133,022)	(2,013,593)	-	(9,341,385)
(50,578)	(25,759)	(139,062)	-	(1,292,186)
5,353	132,438	318,372	-	499,569
(396,144)	(26,343)	(1,834,283)	-	(10,134,003)
136,170	272,049	182,143	2,315,946	23,080,457
147,000	54,131	148,826	2,168,916	8,548,683

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## 14. Intangible Assets

This caption represents the cost of the Group's computer software detailed as follows:

	Cost LBP'000	Accumulated Amortization LBP'000	Net Book Value LBP'000
Balance January 1, 2012	3,322,920	(2,378,411)	944,509
Additions	231,085	(297,323)	(66,238)
Reclassifications and other movements	904	-	904
Balance January 1, 2013	3,554,909	(2,675,734)	879,175
Additions	143,231	(317,953)	(174,722)
<b>Balance December 31, 2014</b>	<b>3,698,140</b>	<b>(2,993,687)</b>	<b>704,453</b>

## 15. Debit Balance With Restricted Fiduciary And Investment Accounts

This caption amounting to LBP5.07billion as at December 31, 2014 (LBP21.54billion as at December 31, 2013) represents the debit balance with the Group's restricted fiduciary and investment accounts which have a counter account with the same amount under liabilities in the restricted fiduciary and investment account (Note 28). It represents the withdrawals and deposits resulting from the fiduciary accounts operations.

## 16. Deposits From Banks And Financial Institutions

	December 31st	
	2014 LBP'000	2013 LBP'000
Deposits from resident commercial banks	13,511,748	34,727,590
Deposits from related party banks	2,823,432	3,195,379
	<b>16,335,180</b>	<b>37,922,969</b>

## 17. Customers' Deposits And Other Credit Balances

This caption comprises non-income bearing customers' current deposits and other credit accounts as follows:

	December 31, 2014		
	LBP LBP'000	Foreign Currency LBP'000	Total LBP'000
Current/demand deposits	27,130,480	72,097,979	99,228,459
Transitory accounts for the settlement of fiduciary loans and advances	308,144	2,624,794	2,932,938
Margins against credit cards	13,579	192,451	206,120
Margins against letters of guarantee	989,078	1,564,540	2,553,618
Margins against letters of credit	1,101	25,835	26,936
	<b>28,442,382</b>	<b>76,505,689</b>	<b>104,948,071</b>

	December 31, 2013		
	LBP LBP'000	Foreign Currency LBP'000	Total LBP'000
Current/demand deposits	27,704,095	75,288,841	102,992,936
Transitory accounts for the settlement of fiduciary financing facilities	846,147	4,345,322	5,191,469
Margins against credit cards	12,847	245,762	258,609
Margins against letters of guarantee	723,820	1,035,848	1,759,668
Margins against letters of credit	1,101	3,015	4,116
	<b>29,288,010</b>	<b>80,918,788</b>	<b>110,206,798</b>

Customers' deposits mentioned above do not include coded accounts.

Customer's deposits and other credit accounts include related party deposits amounting to LBP 944 million as at December 31, 2014 (LBP 819 billion as of December 31, 2013).

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## 18. Accounts Payable And Miscellaneous Creditors

This caption comprises the following:

	December 31st	
	2014 LBP'000	2013 LBP'000
National Social Security Fund	199,188	133,338
Banker checks – Al Baraka Bank	1,240,578	556,539
Banker checks – Central Bank of Lebanon	21,235	79,709
Withheld taxes	187,972	181,600
Miscellaneous creditors	369,163	178,541
Accrued liabilities	97,525	102,564
Non-Islamic income allocated for charity	618,506	10,587
Payable to a related party bank	2,261,250	-
	<b>4,995,417</b>	<b>1,242,878</b>

## 19. Provisions

This caption comprises the following:

	December 31st	
	2014 LBP'000	2013 LBP'000
Provision for fluctuations in foreign exchange rates	953	953
Provision for employees' end-of-service indemnities	1,639,234	1,519,733
Provision for contingencies	549,486	220,086
	<b>2,189,673</b>	<b>1,740,772</b>

The Group's accounts for the years 2011 to 2014, remain subject to examination and final assessment by the Lebanese tax authorities. Any additional tax liability depends on the outcome of this review. During 2012, the Group's accounts for the years 2007 to 2010 were examined by the Lebanese tax authorities and the tax amount imposed by the tax authorities amounted to LBP341million paid during 2013 and withheld from the provision for contingencies.

The movement of the provision for employees' end-of-service indemnity during the year 2014 and 2013 is summarized as follows:

	2014 LBP'000	2013 LBP'000
Balance, beginning of year	1,519,733	1,398,708
Additions (Note 24)	176,289	123,462
Settlements	(56,770)	(2,437)
Other movements	(18)	-
<b>Balance, end of year</b>	<b>1,639,234</b>	<b>1,519,733</b>

The movement of provision for contingencies for the years 2014 and 2013 is as follows:

	2014 LBP'000	2013 LBP'000
Balance, beginning of year	220,086	177,159
Additions (Note 25)	329,400	329,400
Settlements	-	(341,368)
Other movements	-	54,895
<b>Balance, end of year</b>	<b>549,486</b>	<b>220,086</b>

## 20. Credit Balance With The Unrestricted Fiduciary And Investment Accounts

This caption amounting to LBP5.19billion as at December 31, 2014 (LBP3.23billion as at December 31, 2013) represents the credit balance with unrestricted fiduciary and investment accounts which have a counter value account in the balance sheet of unrestricted fiduciary and investment assets accounts representing restricted Murabaha deals (Note 27).

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## 21. Share Capital

As at December 31, 2014 and 2013, the authorized and subscribed capital of the Group amounted to LBP 30 billion consisting of 300,000 shares fully paid at LBP 100,000 each.

Shareholder's cash contribution to capital amounting to LBP 6,53 billion as at December 31, 2014 and 2013 represents the amount transferred by Al Baraka Banking Group, the parent company, during the first half of 2008. This cash contribution to capital is an income bearing account at an annual rate set by the Ordinary General Assembly provided that this rate does not exceed the average rate of return on the six-month investments accounts. The distribution of the above mentioned income is done from the Group's net income and is subject to the approval of the Banking Control Commission and to Basic Circular 43 Article 2 dated March 25, 1998 with all its amendments.

Its worth mentioning that based on the Extra Ordinary General Assembly resolutions the Group is allowed to utilize this cash contribution in offsetting accumulated losses. Accordingly, during the first half of 2013, the Group utilized this cash contribution to write-off its accumulated losses, amounting at the end of 2011 to LBP 3.38 billion in accordance with the Extra Ordinary General Assembly Decision held on December 3, 2012. The Group's accumulated losses as at December 31, 2014 amounted to approximately LBP 1.14 billion, resulting in a decrease in the Group's capital which requires the reconstitution of capital, according to prevailing banking laws specifically, Article 134 of Law of Money and Credit.

## 22. Revenue From Deposits With Banks

This caption consists of the following:

	2014 LBP'000	2013 LBP'000
Deposits with Central Bank of Lebanon) – Commodity Murabaha (Note 5)	1,729,883	975,609
Deposits with commercial and Islamic banks and financial institutions	396,670	432,769
	<b>2,126,553</b>	<b>1,408,378</b>

## 23. Fees And Commissions Income

This caption amounting to LBP 1.18 billion as at December 31, 2014 (LBP 1.14 billion as at December 31, 2013) represents income from commissions and banking services with customers.

## 24. Staff Costs

This caption consists of the following:

	2014 LBP'000	2013 LBP'000
Salaries and wages	5,706,692	6,148,694
Social security contributions	941,489	998,461
Provision for end-of-service indemnity (Note 19)	176,289	123,462
Additional compensation for resigned employees	573,934	-
Other staff costs	1,514,263	1,649,062
	<b>8,912,667</b>	<b>8,919,679</b>

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## 25. General Operating Expenses

This caption consists of the following:

	2014 LBP'000	2013 LBP'000
Stamps	10,141	10,205
Taxes and fees	28,201	60,438
Fees paid to National Institution for Guarantee of Deposits	55,000	-
Rent	370,139	614,894
Electricity, fuel and building services	508,115	531,940
Legal, audit and consulting fees	618,859	523,205
Telephone, post and telecommunication	341,370	332,561
Maintenance and repairs	777,829	733,266
Travel expenses	167,538	319,016
Hospitality and entertainment	22,482	22,859
Insurance	180,464	199,729
Advertising and publicity	209,955	175,038
Stationary and printings	117,039	126,921
Subscriptions and patents	151,589	101,827
Training and development	215,843	312,002
Other expenses	261,501	297,230
Charges paid to parent company and board of directors allowances	261,871	166,172
Donations	1,432	14,732
Provisions (Note 19)	329,400	329,400
	<b>4,628,768</b>	<b>4,871,435</b>

## 26. Financial Instruments With Off-Balance Sheet Risks

Commitments under guarantees and documentary letters of credit represent financial instruments with contractual amounts that carry credit risk. The commitments under guarantees represent an irrecoverable guarantee that the Group undertakes to settle in case a customer cannot meet its obligations to third parties, and are not different from loans and advances in the financial position. However, documentary letters of credit, which represent written undertakings by the Group on behalf of customers authorizing third parties to draw drafts on the Group up to a stipulated amount under specific terms and conditions collateralized by the underlying import documents to which they relate and therefore present lower risks.

Guarantees stated in the Group's own accounts at LBP 16.76 billion as at December 31, 2014 (LBP 12.92 billion as at December 31, 2013) include an amount of LBP 3.16 billion (LBP 3.13 billion as at end of 2013) representing guarantees issued by the Group at the request of related parties against cash collateral amounting to approximately LBP3.1billion at the end of 2014 and 2013.

Investments in securities account represents what the customers invested in securities through the Group in previous years. To be noted that some of these investments are not listed and its fair value is null. In addition, Management expect to net these investments with correspondent related restricted deposits in case they were not claimed by customers.

## 27. Statement of Managed Unrestricted Fiduciary And Investments Agreements

Starting June 1997, the Group started dealing in "fiduciary investments activities", whereby, the Group acting as a custodian (bank) is allowed to undertake all administrative or banking activities related to fiduciary deposits, either in the form of placements with existing entities, or direct trading activities, namely profit sharing (Murabaha), participation (Musharaka) and others, with the condition that it is clearly stipulated in the fiduciary agreement. Below are the details of the statement of assets and liabilities relating to unrestricted fiduciary and investments agreements:

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	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
<b>Assets:</b>			
Deposits with the Central Bank of Lebanon	a	82,026,911	20,024,605
Deposits with banks and financial institutions	b	114,206,134	86,599,067
Financing facilities	c	154,840,171	190,640,778
Mudaraba with customers	d	26,040	22,160
Investment in securities	e	927	927
Investment in Sukuk at fair value through profit and loss	f	8,528,907	3,900,656
Investment properties under construction	g	21,000,207	31,680,969
Customers' liabilities under acceptances	h	1,416,179	151,736
Other assets	i	133,568	762,691
Real estate acquired in satisfaction of debts	j	503,025	526,581
Debit balance with the Group's own accounts	21	5,192,722	-
		<b>387,874,791</b>	<b>334,310,170</b>

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
<b>Liabilities:</b>			
Reverse Wakala with banks	k	55,016,100	6,734,739
Customers' deposits and other credit balances - discretionary fiduciary accounts	l	323,030,765	314,771,911
Commitments under acceptances	h	1,416,179	151,736
Accrued liabilities and sundry creditors	m	3,868,615	2,895,546
Credit balance with bank's own accounts	21	-	3,232,803
Reserve for investment risks	n	4,472,179	6,496,000
Reserve for profit for distribution	o	70,953	27,435
		<b>387,874,791</b>	<b>334,310,170</b>

## (a) Deposits With The Central Bank of Lebanon:

This caption consists of the following:

	December 31st	
	2014 LBP'000	2013 LBP'000
Current accounts - Non-income bearing	19,588,301	4,515,529
Current account with Central Bank - compulsory reserves (Note 5)	33,214,145	-
Current account with Central Bank	1,629,385	-
Commodity Murabaha - compulsory reserves (Note 5)	12,060,000	-
Commodity Murabaha	15,075,000	15,075,000
Accrued income receivable	460,080	434,076
	<b>82,026,911</b>	<b>20,024,605</b>

Return on Commodity Murabaha is paid on semi-annual basis. Returns for the year 2014 amounted to LBP 1.13 billion in 2014 (LBP 626 million in 2013) (Note 27 p).

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Commodity Murabaha amounting to LBP 27.13 billion as at December 31, 2014 represent Murabaha transactions with Central Bank of Lebanon detailed as follows:

December 31, 2014				
	Murabaha Value USD	Date of Issuance	Maturity Date	Expected Total Return USD
1 -	8,000,000 <small>Compulsory reserve</small>	March 31, 2014	March 31, 2015	22,813
2.-	10,000,000	August 12, 2013	August 14, 2023	7,409,500
	18,000,000			7,432,313
Counter value in LBP	<b>27,135,000,000</b>			<b>11,204,211,847</b>

December 31, 2013				
	Murabaha Value USD	Date of Issuance	Maturity Date	Expected Total Return USD
	10,000,000	August 12, 2013	August 14, 2023	7,409,500
Counter value in LBP	<b>15,075,000,000</b>			<b>11,169,821,250</b>

## (b) Deposits With Banks And Financial Institutions:

	December 31st	
	2014 LBP'000	2013 LBP'000
Current accounts with financial institutions – non-income bearing	38	38
Current accounts with related party financial institutions - non-income bearing	1,430	22
Current accounts with commercial banks – non-income bearing	13,611,967	119,064
Deposits with resident commercial banks – Mudaraba	63,430,051	53,614,680
Deposits with resident commercial banks – Wakala	17,093,992	22,023,943
Deposits with related party Islamic banks – Wakala	18,338,700	9,045,000
Accrued income receivable	1,729,956	1,796,320
	<b>114,206,134</b>	<b>86,599,067</b>

Deposits with resident commercial banks – Mudaraba mature as follows:

	December 31, 2014			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	2,000,000	5.55%	4,522,500	3.47%
Between 1 month and 3 months	6,609,250	5.55%	6,783,750	3.9%
Between 3 months and 6 months	8,801,914	5.55%	3,015,000	4.08%
2nd half of 2015	22,652,637	5.6%	9,045,000	4.03%
	<b>40,063,801</b>		<b>23,366,250</b>	

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	December 31, 2013			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	-	-	5,209,237	3.47%
Between 1 month and 3 months	6,500,000	5.70%	13,835,969	3.40%
Between 3 months and 6 months	5,351,196	5.46%	3,846,100	4.275%
2nd half of 2014	18,872,178	5.70%	-	-
	<b>30,723,374</b>		<b>22,891,306</b>	

Deposits with resident commercial and related party Islamic banks – Wakala mature as follows:

	December 31, 2014			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	1,645,332	5.48%	18,838,700	0.2%
Between 1 month and 3 months	4,762,758	5.48%	-	-
Between 3 months and 6 months	3,582,050	5.48%	-	-
2nd half of 2015	7,013,852	5.48%	-	-
	<b>17,093,992</b>		<b>18,838,700</b>	

	December 31, 2013			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	3,500,000	5.47%	9,045,000	1.80%
Between 1 month and 3 months	4,690,000	5.47%	-	-
Between 3 months and 6 months	5,600,000	5.48%	-	-
2nd half of 2014	8,233,943	5.48%	-	-
	<b>22,023,943</b>		<b>9,045,000</b>	

## (c) Financing Facilities:

	December 31st	
	2014 LBP'000	2013 LBP'000
Unpaid bills	4,552,825	7,021,858
"Qard Hassan"	55,171	61,539
Financing facilities - Retail	21,159,334	22,279,055
Short term facilities – Murabaha	44,146,045	28,761,002
Medium and long term facilities – Murabaha	66,665,729	118,186,565
Medium and long term facilities – Istisnaa	5,896,814	5,052,609
Medium and long term facilities – Mosawama	8,292,741	9,616,974
	150,738,659	190,979,602
Unearned income	(11,128,956)	(14,676,771)
Accrued interest receivable – Istisnaa	8,683,200	8,683,200
	148,292,903	184,986,031
Substandard debts	2,632,324	1,307,594
Doubtful debts	9,945,324	8,618,580
Unrealized income	(1,030,821)	(1,044,020)
	11,546,827	8,882,154
Provision for doubtful debts	(4,999,559)	(3,227,407)
	6,547,268	5,654,747
<b>Total</b>	<b>154,840,171</b>	<b>190,640,778</b>

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Unpaid bills outstanding as at year end 2014 and 2013 mature as follows noting that most of them were still unpaid up to the date of the issuance of the financial statements.

	2014 LBP'000		2014 LBP'000
2006	97	First quarter of 2014	660,333
2007	978	Second quarter of 2014	632,131
2008	3,999	Third quarter of 2014	310,569
2009	50,266	Fourth quarter of 2014	5,288,242
2010	86,261		<b>9,647,795</b>
2011	97,873	Less: Balances of customers classified by the credit classification committee	(5,124,970)
2012	174,989		
2013	2,342,057		<b>4,522,825</b>

Medium and long term facilities – Istisnaa as at December 31, 2014 and 2013 comprises the following:

	2014 LBP'000	2013 LBP'000
Sold apartments in the Vertini project – investment under construction	19,685,061	5,052,310
Less: Customer's advance payments on sold apartments	(15,645,184)	-
	4,039,877	5,052,310
Other customers	1,856,937	299
	<b>5,896,814</b>	<b>5,052,609</b>

Following is the movement of sold apartments cost portion in Vertini project – investment under construction for the years 2014 and 2013:

	2014 LBP'000	2013 LBP'000
Balance, Beginning of year	5,052,310	5,052,310
Transfer from investment property under construction (27 g)	14,632,751	-
<b>Balance, End of year</b>	<b>19,685,061</b>	<b>5,052,310</b>

The movement of unrealized income for the years 2014 and 2013 is as follows:

	2014 LBP'000	2013 LBP'000
Balance, Beginning of year	1,044,020	2,376,625
Transfer to off-balance sheet risks	-	(1,458,696)
Write offs	(13,199)	126,091
<b>Balance, End of year</b>	<b>1,030,821</b>	<b>1,044,020</b>

The movement of the provision for doubtful debts for the years 2014 and 2013 is as follows:

	2014 LBP'000	2013 LBP'000
Balance, Beginning of year	3,836,437	9,113,210
Transfer from reserve for investment risks (Note 27 n)	2,014,326	-
Transfer to accrued liabilities and sundry creditors (Note 27 m)	(609,030)	(609,030)
Transfer to off-balance sheet risks	-	(4,831,873)
Write-back of provision – (Note 27 p)	(102,455)	(135,065)
Write-off of provision for doubtful debts	(139,719)	(309,835)
<b>Balance, End of year</b>	<b>4,999,559</b>	<b>3,227,407</b>

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## (d) Mudaraba With Customers:

This caption amounting to LBP 26 million as at December 31, 2014 (LBP 22 million as at December 31, 2013), represents Mudaraba contracts to finance margins on letters of credit up to 15% noting that the full amount of these facilities will be transferred to Murabaha upon maturity.

## (e) Investment In Securities:

	December 31st	
	2014 LBP'000	2013 LBP'000
Investment in shares with broker MF Global Ltd - Unquoted	789,342	789,342
Provision for decline in value	(788,415)	(788,415)
	<b>927</b>	<b>927</b>

## (f) Investment In Sukuk At Fair Value Through Profit And Loss:

Name	Nominal Value	Cost	Fair Value		Change in Fair Value during 2014 LBP'000
			2014 LBP'000	2013 LBP'000	
Emirates Islamic bank maturity in 2018	3,768,750	3,768,750	3,931,296	3,900,656	162,546
Al Baraka Bank Turkey matures in 2019	3,768,750	3,768,750	3,813,711	-	44,961
Sharja Bank maturity in 2024	753,750	753,750	783,900	-	30,150
	8,291,250	8,291,250	8,528,907	3,900,656	237,657

The positive change in fair value during 2014 amounted to LBP237million and was transferred from the reserve for investment risks (Note 27 n).

Below is the fair value movement for the Sukuk for the year ended 2014:

	2014 LBP'000
Balance, Beginning of year	131,906
Net transfer from the risk investment reserve (Note 19 and 27 n)	105,751
<b>Balance, End of year</b>	<b>237,657</b>

Return on Sukuk for the year 2014 amounted to LBP 285 million (LBP 6 million in 2013) reflected as income from Sukuk under the surplus of the year statement (Note 27p).

During 2013, the Group sold Sukuk Wakala issued by Dubai Islamic Bank resulting in a profit of LBP 171 million (equivalent to USD 114,000) reflected as income from Sukuk under the surplus of the year statement (Note 27p).

## (g) Investment Properties Under Construction:

The Group's investment in Vertini real estate project under construction amounting to LBP 21 billion as at December 31, 2014 (LBP 31.68 billion as at December 31, 2013) represents the Group's share in the cost of the project.

The investment property (under construction) movement for the years 2014 and 2013:

	2014 LBP'000	2013 LBP'000
Balance, Beginning of year	31,680,969	27,894,948
Additions	3,951,988	3,541,806
Transfer to the Istisnaa account (Note 27 c)	(14,632,751)	-
Transfer from the group own accounts	-	244,215
<b>Balance, End of year</b>	<b>21,000,206</b>	<b>31,680,969</b>

The transfer to Istisnaa account amounting LBP 16.48 billion in 2014 (Note 28 c) represents the cost portion of sold apartments at the end of 2014.

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## (h) Customers' Liabilities Under Acceptances:

This caption amounting to LBP 1.41 million as at December 31, 2014 (LBP 152 million as at December 31, 2013), represents customers' commitments under accepted drafts confirmed by the Group and resulting from bills of exchange from deferred payment documentary letters of credit. The contra account of these acceptances is found in the caption "Commitments under acceptances" under liabilities.

## (i) Other Assets:

	December 31st	
	2014 LBP'000	2013 LBP'000
Receivables from the Group's former Managing Director	-	2,634,608
Murabaha in process	-	632,975
Deferred charges on Commodity Murabaha with the Central Bank of Lebanon	85,045	75,540
Accrued income receivable – Sukuk	48,522	54,176
	133,567	3,397,299
Less: Provision for receivables from the Group' former Managing Director	-	(2,634,608)
	<b>133,567</b>	<b>762,691</b>

## (j) Real Estate Acquired In Satisfaction of Debts:

This caption represents real estate acquired in satisfaction of debts amounting to LBP 503 billion as at December 31, 2014 (LBP 527 billion in 2013).

## (k) Reverse Wakala With Banks:

The reverse Wakala amounting LBP 55 billion as at December 21, 2014 is with a non-resident Bank in foreign currencies and maturing during the first quarter of the year 2015.

## (l) Customers' Deposits And Other Credit Balances - Discretionary Fiduciary accounts:

The balance of customers' unrestricted fiduciary deposits matures as follows:

	December 31, 2014				December 31, 2013	
	Lebanese Pounds LBP'000	Counter Value of Currencies in LBP LBP'000	Total LBP'000	%	Total LBP'000	%
Demand deposits	8,914	222,684	231,598	-	80,665	-
Time deposits						
One month	1,529,132	5,387,344	6,916,476	2.21	10,868,840	3.56
Three months	2,804,719	16,520,591	19,325,310	6.18	17,377,562	5.67
Six months	43,894,159	150,645,278	194,539,437	62.25	188,915,162	61.66
One year	18,178,375	73,604,841	91,783,216	29.36	89,181,518	29.11
	<b>66,406,385</b>	<b>246,158,054</b>	<b>312,564,439</b>	<b>100%</b>	<b>306,343,082</b>	<b>100%</b>
Other credit balances:						
Margins against letter of credit	-	2,072,566	2,072,566	-	175,513	-
Margins against financing facilities	1,212,285	3,229,196	4,441,481	-	4,722,290	-
Cash collateral (blocked) in favor of an associate	3,130,000	-	3,130,000	-	3,130,000	-
Margins against letters of guarantee	5,000	15,182	20,182	-	14,875	-
URIA accounts	315,371	255,128	570,499	-	305,486	-
	4,662,656	5,572,072	10,234,728	-	8,348,164	-
	<b>71,077,955</b>	<b>251,952,810</b>	<b>323,030,765</b>	<b>-</b>	<b>314,771,911</b>	<b>-</b>

Current accounts represent customer's net profit from investments in the Group's products made in previous years.

Customers' deposits include deposits for related parties in the amount of LBP 6.75 billion as at December 31, 2014 (LBP 3.5 billion as at December 31, 2013).

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## (m) Accrued Liabilities and Miscellaneous Creditors:

	December 31st	
	2014 LBP'000	2013 LBP'000
Bankers checks – Al Baraka Bank	492,100	-
Sundry creditors	608,478	215,659
Taxes withheld from customers deposits	30,266	28,480
Accrued expense payable for customers' deposits	2,115,904	2,042,377
Provision for restricted investments in securities on behalf of customers (Note 27 c)	609,030	609,030
Accrued expense payable to banks – Wakala	12,837	-
	<b>3,868,615</b>	<b>2,895,546</b>

## (n) Reserve For Investment Risks:

This caption represents a reserve of 20% of the actual profit unit value accounted for at the maturity of each deposit and credited to the reserve for investment risk account. This reserve is not subject for distribution except upon the approval of the Board of Directors and according to the aggregate reserve balance in comparison with the credit risk of classified loans.

To be noted that effective July 2013, the reserve for investment risk computation was adjusted whereby the Group deducts its share as a Mudarib from the total profit subject for distribution and the remaining balance is allocated to the Group's customers after deducting the 20% reserve.

During 2014 an amount of LBP 1.35 billion (LBP 339 million as of December 31, 2013) was transferred to investment in Sukuk at fair value through profit or loss against the decrease in its fair value.

Reserve for investment risk amounting to LBP 4.47 billion as at December 31, 2014 includes an amount of LBP 642 million representing the decline in the Group's investment in the associate as at December 31, 2014. Its worth mentioning that this associate was sold on February 23, 2015 (Note 10).

The movement of the reserve for investment risks is as follows:

	2014 LBP'000	2013 LBP'000
Balance, Beginning of year	6,496,000	5,154,881
Additions – (Note 27 p)	1,351,073	1,678,312
Transfer to provision for doubtful debts – (Note 27 c)	(2,014,326)	-
Transfer to investment in Sukuk at fair value through profit or loss – (Notes 9 and 27 f)	(1,354,414)	(338,735)
Difference in exchange	(6,154)	1,542
<b>Balance, End of year</b>	<b>4,472,179</b>	<b>6,496,000</b>

## (o) Reserve For Profit For Distribution:

This caption represents net profit reserved from the fiduciary accounts profit or paid as profits for these accounts, for the purpose of adjusting the return paid to customers in accordance with the Group's management decision. This reserve is booked under investment revenue from fiduciary contracts.

The movement of the reserve for profit for distribution is as follows:

	2014 LBP'000	2013 LBP'000
Balance, beginning of year	27,435	21,988
Net additions	43,518	5,447
<b>Balance, End of year</b>	<b>70,953</b>	<b>27,435</b>

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## (p) Surplus of the Year:

The surplus of the year resulting from fiduciary and investments accounts is detailed as follows:

	Year Ended December 31st	
	2014 LBP'000	2013 LBP'000
<b>Investment Revenue:</b>		
Financing contracts	11,549,418	13,731,623
Commodity Mudaraba with Central Bank of Lebanon – (Note 27 a)	1,135,990	626,027
Deposits with banks and financial institutions	3,761,241	3,633,411
Net income from Sukuk	285,531	232,321
Net commissions, fees and other revenues	3,088,510	799,841
	19,820,690	19,023,223
Cost of funds	(94,403)	(35,164)
	19,726,287	18,988,059
Difference in exchange	(207)	-
Gain on sale	9,868	-
Write-back of provisions	19,747	-
Write-back of provision for doubtful debts – (Note 27 c)	102,455	135,065
Reserve for investment risks – (Note 27 n)	(1,351,073)	(1,678,312)
<b>Profit for the year</b>	<b>18,507,077</b>	<b>17,444,812</b>
<b>Allocation of Profit For The Year:</b>		
Customer's share	8,360,776	8,795,774
Bank's share from fiduciary and investment agreements	10,146,301	8,649,038
	<b>18,507,077</b>	<b>17,444,812</b>

## 28. Statement of Restricted Fiduciary And Investment Agreement

	Notes	December 31st	
		2014 LBP'000	2013 LBP'000
<b>Assets:</b>			
Deposits with the Central Bank of Lebanon	a	16,820,275	-
Deposits with banks and financial institutions	b	86,294,619	85,412,383
Financing facilities	c	27,975,233	867,292
Debit balance with the Group's own accounts	16	-	21,549,616
		131,090,127	107,829,291
<b>Liabilities:</b>			
Reverse Wakala with banks	d	126,012,117	107,829,291
Credit balance with Group's own accounts	16	5,078,010	-
		131,090,127	107,829,291
<b>Surplus of the Year:</b>			
Income from deposits with the Central Bank of Lebanon – Commodity Murabaha	28 a	704,735	-
Income from deposits with banks		2,948,320	1,879,569
Income from financing facilities		291,293	343,729
Cost of funds – Reverse Wakala		(3,149,774)	(1,904,790)
Difference of exchange		(83)	-
		<b>794,491</b>	<b>318,508</b>

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## a. Deposit With The Central Bank of Lebanon:

	December 31st	
	2014 LBP'000	2013 LBP'000
Commodity Murabaha	16,582,500	-
Accrued income receivable	237,775	-
	<b>16,820,275</b>	<b>-</b>

Commodity Murabaha amounting LBP 16.58 billion as at December 31, 2014 represents Murabaha transaction with the Central Bank of Lebanon executed by a resident commercial bank. This Murabaha was issued on April 4, 2014 and matures on April 4, 2019 with a total return of LBP 4.87 billion (USD 3,236,781) to be received in semi-annual payments.

The return from Commodity Murabaha for the year 2014 amounted to LBP 704 million and is reflected under surplus of the year.

## b. Deposits With Banks And Financial Institutions:

	December 31st	
	2014 LBP'000	2013 LBP'000
Deposits with related party banks – Wakala	85,570,140	85,252,050
Accrued income receivable	724,479	160,333
	<b>86,294,619</b>	<b>85,412,383</b>

Deposits with banks and financial institutions as at December 31, 2014 and 2013 are denominated in foreign currencies.

Deposits with banks and financial institutions - Wakala mature as follows:

	December 31, 2014		December 31, 2013	
	F/Cy C/V in LBP'000	Average Rate of Return	F/Cy C/V in LBP'000	Average of Return
Up to one month	-	2.90%	31,121,550	2%
Between one and three months	45,225,000	2.45%	54,130,500	1.95%
Between three and six months	22,006,440	2.7%	-	-
Second half of 2015	18,338,700	-	-	-
	<b>85,570,140</b>		<b>85,252,050</b>	

## c. Financing Facilities:

	December 31st	
	2014 LBP'000	2013 LBP'000
Unpaid bills	11,159,948	-
Medium term facilities – Murabaha	18,200,655	976,867
Unearned income	(1,385,370)	(109,575)
	<b>27,975,233</b>	<b>867,292</b>

Financing facilities as at December 31, 2014 and 2013 are denominated in foreign currencies and are granted to customers outside the Lebanese territories (2013: granted to one customer within the Lebanese territories).

The unpaid bills as at December 31, 2014 were fully settled during the beginning of the year 2015.

# Independent Auditors' Report

## d. Reverse Wakala With Banks:

	December 31st	
	2014 LBP'000	2013 LBP'000
Current accounts with related party banks	243,575	251,707
Reserve Wakala with commercial banks	107,428,890	97,685,010
Reverse Mudaraba and Wakala with related party banks	17,416,140	9,620,226
Accrued cost	923,512	272,348
	<b>126,012,117</b>	<b>107,829,291</b>

Reverse Wakala mature as follows:

	December 31, 2014		December 31, 2013	
	F/Cy C/V in LBP'000	Average Rate of Return	F/Cy C/V in LBP'000	Average of Return
Up to one month	3,015,000	1.68%	31,121,550	1.3%
Between one and three months	57,937,740	1.6%	72,324,486	1.4%
Between three and six months	27,282,690	1.8%	-	-
Second half of 2015	28,016,850	1.8%	3,859,200	3%
More than a year	8,592,750	4.8%	-	-
	<b>124,845,030</b>		<b>107,305,236</b>	

## 29. Related Party Transactions

This caption comprises the Group's dealings with related parties, members of its board of directors and management. The dealings are conducted with the approval of the Group's management.

Related party transactions consist of the following:

	2014 LBP'000	2013 LBP'000
<b>Group's Own Accounts:</b>		
Deposits with banks and financial institutions (Note 6)	2,452,957	686,870
Investment in an associate (Note 10)	1,856,610	1,457,985
Due from parent company (Note 12)	36,647	155,874
Due from subsidiary (Note 12)	5,574,580	-
Demand deposits from banks (Note 16)	2,823,432	3,195,379
Customer deposits and other credit accounts (Note 17)	943,741	818,789
Bank deposit from related party bank (Note 18)	2,398,809	-
<b>Fiduciary And Investment Accounts:</b>		
Current account deposits with related party financial institution (Note 27 b)	1,430	22
Deposits with related party banks and financial institutions – Income earning (Note 27 b)	18,338,700	9,045,000
Investment in Sukuk (Note 27 f)	7,745,007	3,900,656
Customers deposits – fiduciary accounts (Note 27 l)	3,627,041	3,508,774
Accrued liabilities and sundry creditors (Note 27 l)	3,130,000	3,130,000
<b>Restricted Fiduciary And Investment Accounts:</b>		
Deposits with banks (Note 28 b)	85,570,140	85,252,050
Reverse Wakala with banks (Note 28 d)	17,659,715	9,871,933
<b>Financial Instruments With Off-Balance Sheet Risks:</b>		
Commitments under guarantees (Note 26)	3,130,000	3,120,000

Salaries of senior executive management of the Group amounted to LBP 885 million for the year 2014 (LBP 1.22 billion for the year 2013). To be noted that two of the senior executive management (assistant and deputy) left the bank during 2014.

# Independent Auditors' Report

## 30. Cash And Cash Equivalents

Cash and cash equivalents in the statement of cash flows represent the total of cash, compulsory reserve and deposits at the Central bank of Lebanon (Note 4) and time deposits with banks and financial institutions (Note 5) bearing maturities less than 90 days.

Cash and cash equivalents for the purpose of the cash flows statement consist of the following:

	December 31st	
	2014 LBP'000	2013 LBP'000
Cash on hand	4,315,989	4,791,367
Demand deposits with Central Bank of Lebanon	28,321,949	28,945,439
Time deposit with Central Bank of Lebanon (maturing in less than 3 months)	15,075,000	12,627,270
Current accounts with banks and related parties	7,646,931	18,811,110
Checks for collection	1,572,531	1,877,595
	<b>56,932,400</b>	<b>67,052,781</b>

Increase in accrued expenses and other credit balances under operating activities were netted off against the increase the investment in a subsidiary under investing activities in an amount of LBP 2.26 billion being a non-cash transaction.

## 31. Fair Value

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the financial statements, for the year ended December 31, 2014, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	Notes	Carrying amount LBP'000	December 31, 2014 Fair Value			Total LBP'000
			Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	
<b>Group's Own Accounts:</b>						
Financial assets measured at fair value through profit and loss						
Investments in Sukuk	9	9,525,742	9,525,742	-	-	9,525,742
Financial assets measured at fair value through other comprehensive income	8	166,240	434,000	-	-	434,000
<b>Financial Assets At Amortized Cost</b>						
Term placements with the Central Bank of Lebanon - Commodity Murabaha	5	22,612,500	-	-	23,215,798	23,215,798
<b>Group's Fiduciary And Investment Accounts:</b>						
Financial assets measured at fair value through profit and loss						
Investments in Sukuk	27 f	8,528,907	8,528,907	-	-	8,528,907
<b>Financial Assets At Amortized Cost</b>						
Term placements with the Central Bank of Lebanon - Commodity Murabaha	27 a	15,075,000	-	-	15,477,199	15,477,199
Financing facilities	27 c	154,840,171	-	-	-	-

No transfers between Level 1, level 2 and level 3, occurred during the year.

The fair value of placements with the Central Bank of Lebanon (Commodity Murabaha) were accounted for according to the current discounted cash flows method, discounted at 7%. In case the discounted rate varies by 1% (increase or decrease) the effect on the fair value will be around LBP1.5billion (increase or decrease).

# Independent Auditors' Report

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the financial statements, for the year ended December 31, 2013, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	Notes	December 31, 2013				
		Carrying amount LBP'000	Fair Value			Total LBP'000
		Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000		
<b>Group's Own Accounts:</b>						
Financial assets measured at fair value through profit and loss						
Investments in Sukuk	9	10,985,906	10,985,906	-	-	10,985,906
Financial assets measured at fair value through other comprehensive income	8	203,513	528,000	-	-	528,000
<b>Financial Assets At Amortized Cost</b>						
Term placements with the Central Bank of Lebanon - Commodity Murabaha	5	64,822,500	-	-	65,127,892	65,127,892
<b>Group's Fiduciary And Investment Accounts:</b>						
Financial assets measured at fair value through profit and loss						
Investments in Sukuk	27 f	3,976,196	3,976,196	-	-	3,976,196
<b>Financial Assets At Amortized Cost</b>						
Term placements with the Central Bank of Lebanon - Commodity Murabaha	27 a	15,075,000	-	-	15,287,918	15,287,918
Financing facilities	27 c	190,031,748	-	-	-	-

## 32. Risk Management

### Credit Risk:

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls this risk by monitoring credit exposures, and continually assessing the creditworthiness of the related borrowings parties.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, because they are or have similar economic features that may affect their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group reduces its credit risk exposure and deals with through follow up of the debts to improve collective chances and upgrade the quality of debts classification, by implementing debt restructuring plans and obtaining sufficient real collateral

### Allocation of the Group's Own assets and liabilities by geographical area:

	December 31, 2014				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>ASSETS</b>					
Cash and deposits at central bank	88,026,883	-	-	-	88,026,883
Deposits with banks and financial institutions	10,777,252	3,260,982	467,055	2,076,731	16,582,020
Financing facilities	2,436,230	17,036,377	-	-	19,472,607
Investment in securities	166,240	-	-	-	166,240
Investment in associate	1,856,610	-	-	-	1,856,610
Investment in Sukuk at fair value through profit and loss	-	9,525,742	-	-	9,525,742
Customer's Liabilities under acceptances	201,742	-	-	-	201,742
Other assets	4,956,172	-	-	-	4,956,172
Property and equipment	23,080,457	-	-	-	23,080,457
Intangible assets	704,453	-	-	-	704,453
Debit balances with fiduciary and investment accounts	5,078,010	-	-	-	5,078,010
<b>Total Assets</b>	<b>137,284,049</b>	<b>29,823,101</b>	<b>467,055</b>	<b>2,076,731</b>	<b>169,650,936</b>

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	December 31, 2014				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>LIABILITIES</b>					
Demand deposits from banks	16,335,180	-	-	-	16,335,180
Customer's accounts and other credit balances	101,088,285	3,439,472	304,595	115,719	104,948,071
Accounts payables and miscellaneous creditors	201,742	-	-	-	201,742
Acceptance liability	4,995,417	-	-	-	4,995,417
Provisions	2,189,673	-	-	-	2,189,673
Credit balances with fiduciary and investment accounts	5,192,722	-	-	-	5,192,722
<b>Total Liabilities</b>	<b>130,003,019</b>	<b>3,439,472</b>	<b>304,595</b>	<b>115,719</b>	<b>133,862,805</b>

	December 31, 2013				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>ASSETS</b>					
Cash and deposits at central bank	129,891,766	-	-	-	129,891,766
Deposits with banks and financial institutions	30,967,037	298,158	-	-	31,265,195
Financing facilities	970,532	11,288,850	-	-	12,259,382
Investment in securities	203,513	-	-	-	203,513
Investment in associate	1,457,985	-	-	-	1,457,985
Investment in Sukuk at fair value through profit and loss	-	10,985,906	-	-	10,985,906

	December 31, 2013				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>ASSETS</b>					
Customer's liabilities under acceptances	425,610	-	-	-	425,610
Other assets	8,904,929	173,699	-	7,409	9,086,037
Property and equipment	8,548,683	-	-	-	8,548,683
Intangible assets	879,175	-	-	-	879,175
Debit balances with fiduciary and investment accounts	3,232,803	-	-	-	3,232,803
<b>Total assets</b>	<b>185,482,033</b>	<b>22,746,613</b>	<b>-</b>	<b>7,409</b>	<b>208,236,055</b>
<b>LIABILITIES</b>					
Demand deposits from banks	20,048	37,902,921	-	-	37,922,969
Customers' accounts and other credit balances	106,123,732	3,482,534	489,650	110,882	110,206,798
Accounts payables and miscellaneous creditors	1,242,878	-	-	-	1,242,878
Acceptance liability	425,610	-	-	-	425,610
Provisions	1,740,772	-	-	-	1,740,772
Credit balances with fiduciary and investment accounts	21,549,616	-	-	-	21,549,616
<b>Total liabilities</b>	<b>131,102,656</b>	<b>41,385,455</b>	<b>489,650</b>	<b>110,882</b>	<b>173,088,643</b>

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## Allocation of Group's unrestricted fiduciary and investment assets by geographical area:

	December 31, 2014				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>ASSETS</b>					
Cash and deposits at central bank	82,026,911	-	-	-	82,026,911
Deposits with banks and financial institutions	82,304,923	18,342,881	6,019,582	7,538,748	114,206,134
Financing facilities	104,595,689	50,244,482	-	-	154,840,171
Mudaraba with customers	26,040	-	-	-	26,040
Investment in Sukuk at fair value through profit and loss	-	927	-	-	927
Investment in securities	-	8,528,907	-	-	8,528,907
Investment properties	21,000,207	-	-	-	21,000,207
Customers' liabilities under acceptances	546,598	869,581	-	-	1,416,179
Other assets	48,523	-	-	85,045	133,568
Assets acquired in satisfaction of debt	503,025	-	-	-	503,025
Debit balance with Group's own account	5,192,722	-	-	-	5,192,722
<b>Total Assets</b>	<b>296,244,638</b>	<b>77,986,778</b>	<b>6,019,582</b>	<b>7,623,793</b>	<b>387,874,791</b>

	December 31, 2014				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>LIABILITIES</b>					
Reverse Wakala with banks	-	55,016,100	-	-	55,016,100
Customers deposits - Restricted fiduciary and investment accounts	305,042,162	15,467,691	1,571,074	949,838	323,030,765
Acceptance liability	1,175,042	241,137	-	-	1,416,179
Accounts payable and miscellaneous creditors	3,868,615	-	-	-	3,868,615
Reserve for investment risk	4,472,179	-	-	-	4,472,179
Reserve for profit distribution	70,953	-	-	-	70,953
<b>Total Liabilities</b>	<b>314,628,951</b>	<b>70,724,928</b>	<b>1,571,074</b>	<b>949,838</b>	<b>387,874,791</b>

	December 31, 2013				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>ASSETS</b>					
Cash and deposits at central bank	20,024,605	-	-	-	20,024,605
Deposits with banks and financial institutions	77,522,721	9,054,034	-	22,312	86,599,067
Financing facilities	105,070,191	84,961,557	-	-	190,031,748
Mudaraba with customers	22,160	-	-	-	22,160
Investment in Sukuk at fair value through profit and loss	-	3,900,656	-	-	3,900,656
Investment in securities	-	-	927	-	927
Investment properties	31,680,969	-	-	-	31,680,969
Customer's liability under acceptances	151,736	-	-	-	151,736
Other assets	687,151	-	-	-	687,151
Assets acquired in satisfaction of debts	526,581	-	-	-	526,581
<b>Total Assets</b>	<b>236,370,684</b>	<b>97,916,247</b>	<b>927</b>	<b>22,312</b>	<b>334,310,170</b>

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	December 31, 2013				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
<b>LIABILITIES</b>					
Customer deposits-restricted fiduciary and investment accounts	6,734,739	-	-	-	6,734,739
Customer deposits-fiduciary and investment accounts	301,928,001	9,994,617	1,446,729	1,402,564	314,771,911
Acceptance liability	151,736	-	-	-	151,736
Accounts payable and miscellaneous creditors	2,895,546	-	-	-	2,895,546
Credit balance with the Groups' own accounts	3,232,803	-	-	-	3,232,803
Reserve for investment risk	6,496,000	-	-	-	6,496,000
Reserve for profit for distribution	27,435	-	-	-	27,435
<b>Total Liabilities</b>	<b>321,466,260</b>	<b>9,994,617</b>	<b>1,446,729</b>	<b>1,402,564</b>	<b>334,310,170</b>

## Allocation of the Bank's Restricted Fiduciary and investment assets and liabilities by geographical area:

	December 31, 2014		
	USD CV LBP'000	Middle East and Africa CV LBP'000	Total LBP'000
Deposits with the central bank	16,820,275	-	16,820,275
Deposits with banks and financial institutions	-	86,294,619	86,294,619
Financing facilities	13,795,449	14,179,784	27,975,233
Total Assets	30,615,724	100,474,403	131,090,127
Reverse Wakala with commercial banks	13,737,262	-	13,737,262
Credit balance with Group's own accounts	5,078,010	112,274,855	117,352,865
<b>Total Liabilities</b>	<b>18,815,272</b>	<b>112,274,855</b>	<b>131,090,127</b>

	December 31, 2013		
	USD CV LBP'000	Middle East and Africa CV LBP'000	Total LBP'000
Deposits with banks and financial institutions	-	85,412,383	85,412,383
Financing facilities	867,292	-	867,292
Debit balance with the bank's own account	21,549,616	-	21,549,616
Total Assets	22,416,908	85,412,383	107,829,291
Reverse Wakala with commercial banks	9,798,750	98,030,541	107,829,291
<b>Total Liabilities</b>	<b>9,798,750</b>	<b>98,030,541</b>	<b>107,829,291</b>

### Market Risk

Market risk is defined as the potential loss in both on and off-balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates, and equity prices.

### Currency risk:

The bank is exposed to currency risk which arises from the fluctuation of currencies and financial instruments and derivatives which affects its financial position and cash flows.

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## Allocation of Group's Own assets and liabilities by Currency:

	December 31, 2014					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>						
Cash and deposits at central bank	23,121,905	44,262,693	20,243,368	398,917	-	88,026,883
Deposits with banks and financial institutions	7,599,410	6,557,185	1,862,112	51,820	511,493	16,582,020
Financing facilities	153,934	12,068,515	7,250,158	-	-	19,472,607
Investment in securities	-	166,240	-	-	-	166,240
Investment in Sukuk at fair value through profit and loss	-	9,525,742	-	-	-	9,525,742
Investment in subsidiary	1,856,170	440	-	-	-	1,856,610
Customer's liabilities under acceptances	-	-	-	201,742	-	201,742
Other assets	3,035,877	1,895,004	25,291	-	-	4,956,172
Property and equipment	21,466,290	1,614,167	-	-	-	23,080,457
Intangible Assets	704,453	-	-	-	-	704,453
Debit balances with fiduciary and investment accounts	-	8,823,004	(3,744,994)	-	-	5,078,010
<b>Total Assets</b>	<b>57,938,039</b>	<b>84,912,990</b>	<b>25,635,935</b>	<b>652,479</b>	<b>511,493</b>	<b>169,650,936</b>

	December 31, 2014					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
<b>LIABILITIES</b>						
Demand deposits from banks	5,231	2,275,191	13,692,903	106,374	255,481	16,335,180
Customers' accounts and other credit balances	28,442,379	64,458,502	11,621,128	343,344	82,718	104,948,071
Acceptance liability	-	-	-	201,742	-	201,742
Accounts payables and miscellaneous creditors	(10,480,420)	15,295,889	22,372	1,019	156,557	4,995,417
Provisions	2,189,683	-	-	-	-	2,189,683
Credit balances with fiduciary and investment accounts	(338,988)	5,215,441	299,532	-	16,737	5,192,722
<b>Total Liabilities</b>	<b>19,817,875</b>	<b>87,245,023</b>	<b>25,635,935</b>	<b>652,479</b>	<b>511,493</b>	<b>133,862,805</b>
Net Currency exposure	38,120,164	(2,332,033)	-	-	-	35,788,131

	December 31, 2013					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>						
Cash and deposits at central bank	24,369,480	99,313,938	6,208,348	-	-	129,891,766
Deposits with banks and financial institutions	10,769,326	18,288,516	1,502,794	347,024	347,535	31,265,195
Investment in securities	-	203,513	-	-	-	203,513
Investment in associate	1,457,545	440	-	-	-	1,457,985
Financing facilities	157,978	12,101,404	-	-	-	12,259,382
Investment at Sukuk at fair value through profit and loss	-	10,985,906	-	-	-	10,985,906
Customers' liabilities under acceptances	-	-	-	425,610	-	425,610
Property and equipment	6,999,141	1,549,542	-	-	-	8,548,683
Intangible assets	879,175	-	-	-	-	879,175

# Independent Auditors' Report

	December 31, 2013					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
Other assets	2,775,981	6,309,780	276	-	-	9,086,037
Debit balances with fiduciary and investment accounts	366,419	802,342	1,963,855	-	100,187	3,232,803
<b>Total Assets</b>	<b>47,775,045</b>	<b>149,555,381</b>	<b>9,675,273</b>	<b>782,634</b>	<b>447,722</b>	<b>208,236,055</b>
<b>LIABILITIES</b>						
Demand deposits from banks	5,230	32,964,383	4,946,166	-	7,190	37,922,969
Customers' accounts and other credit balances	29,288,010	75,674,516	4,718,089	335,429	190,754	110,206,798
Acceptance liability	-	-	-	425,610	-	425,610
Accounts payables and miscellaneous creditors	(10,932,841)	11,840,327	64,020	21,595	249,777	1,242,878
Provisions	1,740,772	-	-	-	-	1,740,772
Credit balances with fiduciary and investment accounts	-	21,602,617	(53,001)	-	-	21,549,616
<b>Total Liabilities</b>	<b>20,101,171</b>	<b>142,081,843</b>	<b>9,675,274</b>	<b>782,634</b>	<b>447,721</b>	<b>173,088,643</b>
Net currency exposure	27,673,874	7,473,538	(1)	-	1	35,147,412

## Allocation of assets and liabilities of unrestricted fiduciary and investment accounts by currency:

	December 31, 2014					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>						
Deposits at central bank	2,216,661	44,966,720	34,843,530	-	-	82,026,911
Deposits with banks and financial institutions	58,749,410	31,095,730	24,360,994	-	-	114,206,134
Financing facilities	9,123,193	137,992,001	7,724,977	-	-	154,840,171
Mudaraba with customers	-	-	-	26,040	-	26,040
Investment in securities	-	927	-	-	-	927
Investment in Sukuk at fair value through profit and loss	-	8,528,907	-	-	-	8,528,907
Investment property account (Under construction)	2,985,398	18,014,809	-	-	-	21,000,207
Customers' liabilities under acceptances	-	546,598	869,581	-	-	1,416,179
Other assets	-	133,568	-	-	-	133,568
Assets acquired in satisfaction of debt	(15,816)	518,841	-	-	-	503,025
Debit balance with the Group's own accounts	(338,988)	5,215,441	299,532	-	16,737	5,192,722
<b>Total Assets</b>	<b>72,719,858</b>	<b>247,013,542</b>	<b>68,098,614</b>	<b>26,040</b>	<b>16,737</b>	<b>387,874,791</b>
<b>LIABILITIES</b>						
Reverse Wakala with banks	-	-	55,016,100	-	-	55,016,100
Customers deposits Restricted fiduciary accounts	71,077,955	239,875,203	12,051,567	26,040	-	323,030,765
Commitments under acceptances	-	546,598	869,581	-	-	1,416,179
Accrued liabilities and sundry creditors	873,636	2,909,260	85,719	-	-	3,868,615
Reserve for investment risk	742,267	3,650,823	62,352	-	16,737	4,472,179
Reserve for profit distribution	26,000	31,658	13,295	-	-	70,953
<b>Total Liabilities</b>	<b>72,719,858</b>	<b>247,013,542</b>	<b>68,098,614</b>	<b>26,040</b>	<b>16,737</b>	<b>387,874,791</b>

# Independent Auditors' Report

	December 31, 2013				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>					
Deposits at central bank	751,498	19,273,107	-	-	20,024,605
Deposits with banks and financial institutions	54,124,184	22,639,373	9,545,353	290,157	86,599,067
Financing facilities	16,709,160	164,331,252	2,343,962	6,647,405	190,640,778
Investment securities	-	927	-	-	927
Investment properties under construction	2,984,137	28,696,832	-	-	31,680,969
Investment in Sukuk at fair value through profit and loss	-	3,900,656	-	-	3,900,656
Customer's liability under acceptances	-	-	151,736	-	151,736
Mudaraba with customers	-	22,160	-	-	22,160
Other assets	-	180,778	581,913	-	762,691
Assets acquired in satisfaction of debts	(15,816)	542,397	-	-	526,581
	<b>74,553,163</b>	<b>240,196,481</b>	<b>12,622,964</b>	<b>6,937,562</b>	<b>334,310,170</b>
<b>LIABILITIES</b>					
Reverse Wakala with banks	-	-	-	6,734,739	6,734,739
Customers deposits-discretionary fiduciary accounts	72,956,761	231,349,372	10,415,045	50,733	314,771,911
Accrued liabilities and sundry creditors	504,838	2,282,223	73,321	35,164	2,895,546
Commitments under acceptances	-	-	151,736	-	151,736
Credit balance with bank's own accounts	366,419	802,342	1,963,855	100,187	3,232,803

	December 31, 2013				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Others LBP'000	Total LBP'000
Reserve for investment risk	699,145	5,761,109	19,007	16,739	6,496,000
Reserve for profit distribution	26,000	1,435	-	-	27,435
	<b>74,553,163</b>	<b>240,196,481</b>	<b>12,622,964</b>	<b>6,937,562</b>	<b>334,310,170</b>

## Allocation of assets and liabilities of restricted fiduciary and investment accounts by currency:

	December 31, 2014		
	USD CV LBP'000	EUR LBP'000	Total LBP'000
<b>ASSETS</b>			
Deposits with central bank	16,820,275	-	16,820,275
Deposits with banks and financial institutions	45,666,001	40,628,618	86,294,619
Financing facilities	27,975,233	-	27,975,233
	<b>90,461,509</b>	<b>40,628,618</b>	<b>131,090,127</b>
<b>LIABILITIES</b>			
Restricted customer deposits	8,823,004	(3,744,994)	5,078,010
Reverse Wakala with commercial banks	81,638,505	44,373,612	126,012,117
	<b>90,461,509</b>	<b>40,628,618</b>	<b>131,090,127</b>

	December 31, 2013		
	USD CV LBP'000	Euro LBP'000	Total LBP'000
<b>ASSETS</b>			
Deposits with banks and financial institutions	2,263,014	83,149,369	85,412,383
Financing facilities	867,292	-	867,292
Customer's investment in shares	2,828,262	-	2,828,262
Debit balance with the Group's own account	21,602,617	(53,001)	21,549,616
	<b>27,561,185</b>	<b>83,096,368</b>	<b>110,657,553</b>
<b>LIABILITIES</b>			
Reverse Wakala with commercial banks	24,732,923	83,096,368	107,829,291
Restricted customer deposits	2,828,262	-	2,828,262
	<b>27,561,185</b>	<b>83,096,368</b>	<b>110,657,553</b>

# Independent Auditors' Report

## Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

Liquidity management and business unit activities are managed consistent with a strategy of funding stability, and includes the maintenance of a portfolio of liquid and marketable assets.

The Group's own accounts of financial liability for the year 2014 and 2013 mature in a period of three months.

### Allocation of financial liabilities in unrestricted fiduciary and investment accounts according to their maturities:

	December 31, 2014		
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000
<b>LIABILITIES</b>			
Reverse Wakala with banks	55,016,100	-	55,016,000
Customer deposits - restricted and unrestricted investing accounts	145,159,758	177,871,007	323,030,765
<b>Total</b>	<b>200,175,858</b>	<b>177,871,007</b>	<b>378,046,865</b>

	December 31, 2013			
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months till 1 year LBP'000	Accounts maturing from 1 year to 3 years LBP'000	Total LBP'000
<b>LIABILITIES</b>				
Reverse Wakala with banks	4,682,439	2,052,300	-	6,734,739
Customer deposits - restricted and unrestricted investing accounts	141,666,776	171,561,757	1,543,378	314,771,911
	<b>146,349,215</b>	<b>173,614,057</b>	<b>1,543,378</b>	<b>321,506,650</b>

### Allocation of the financial liabilities in the restricted fiduciary and investment accounts according to their maturities:

	December 31, 2014		
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000
<b>LIABILITIES</b>			
Reverse Wakala with banks	60,952,740	65,059,377	126,012,117

	December 31, 2013		
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000
<b>LIABILITIES</b>			
Reverse Wakala with banks	103,970,091	3,859,200	107,829,291

# Independent Auditors' Report

## 33. Comparative Financial Statements

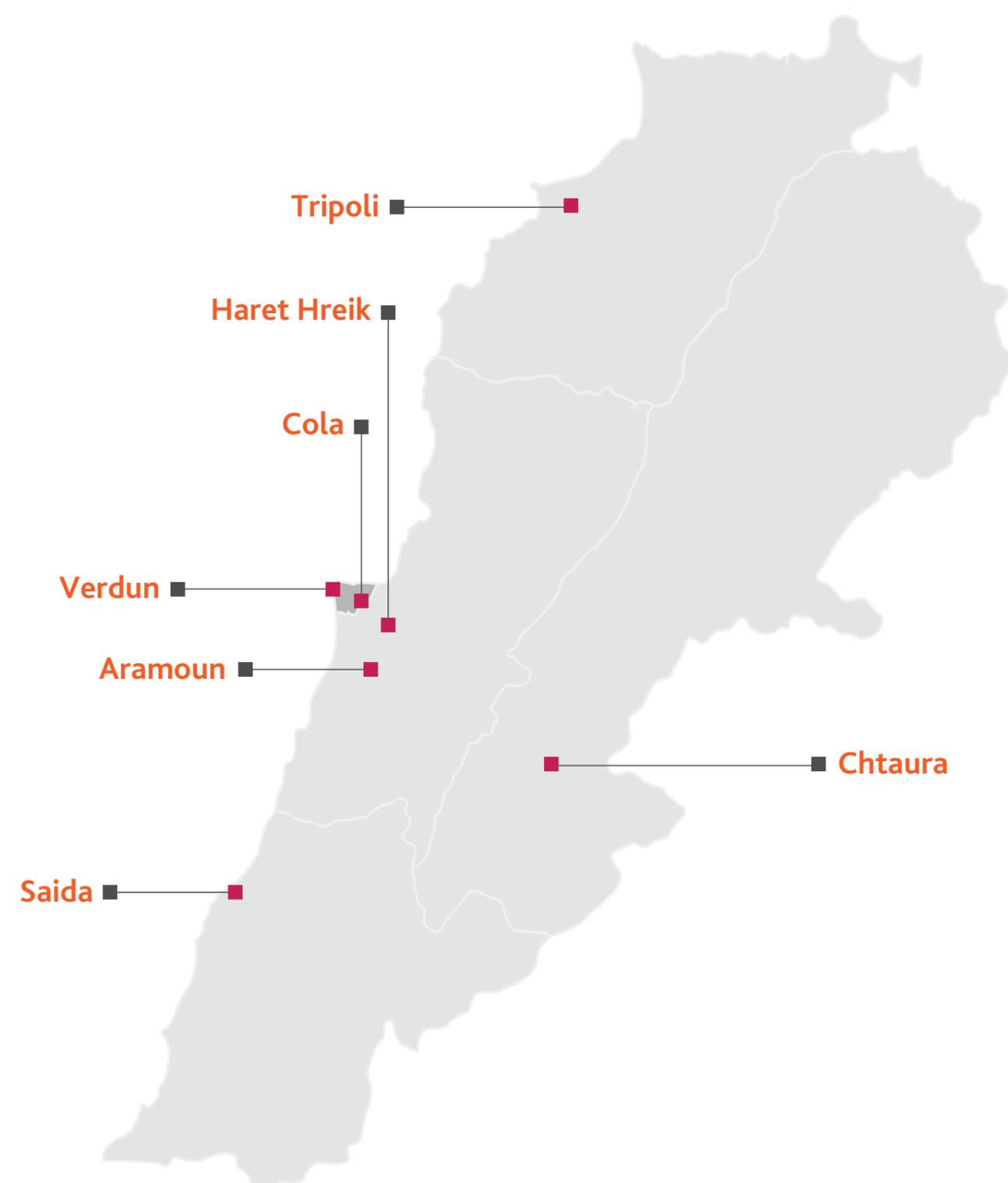
Certain prior year comparative amounts were reclassified, as necessary, to conform with current year presentation.

	Presentation as at December 31, 2013 LBP'000	Reclassification LBP'000	After Reclassification December 31, 2013 LBP'000
<b>Group's Own Accounts:</b>			
<b>Profit Or Loss And Other Comprehensive Income</b>			
Net fees and commission income on banking services	863,363	41,683	905,046
Salaries, wages and staff costs	8,793,943	125,736	8,919,679
General administrative expenses	4,955,488	(84,053)	4,871,435
<b>Financial Instruments With Off-Balance Sheet Risks:</b>			
Investment in securities on behalf of customers	-	2,828,262	2,828,262
<b>Fiduciary And Investment Accounts:</b>			
<b>Assets</b>			
Investment in Sukuk at fair value through profit or loss	3,976,196	(75,540)	3,900,656
Financing facilities	190,031,748	609,030	190,640,778
Other assets	687,151	75,540	762,691
<b>Liabilities</b>			
Accrued liabilities and miscellaneous creditors	2,286,516	609,030	2,895,546
<b>Restricted Fiduciary Investment Accounts:</b>			
<b>Assets</b>			
Investment in securities on behalf of customers	2,828,262	(2,828,262)	-
<b>Liabilities</b>			
Restricted customer deposits	2,828,262	(2,828,262)	-

## 34. Approval of The Financial Statements

The consolidated financial statements for the year ended December 31, 2014 were approved by General Manager.

# Al Baraka Network



# Al Baraka Network



## Sanayeh - Head office

Justinian Street,  
Bac Center, 12<sup>th</sup> Floor  
T: +961 1 748062/3/4/5  
F: +961 1 748068  
P.O.Box: 113 5683



## Verdun –Main Branch

Rashid Karamah Street,  
Center Verdun 2000, 2<sup>nd</sup> Floor  
**Branch Manager:** Mrs. Leila Toufaha  
T: +961 1 808008  
F: +961 1 806499



## Tripoli Branch

Al Tal Area, Boulevard Fouad Chehab,  
Kahtan Mikati Building  
**Branch Manager:** Mrs. Raghida Kabbara  
T: +961 6 447911  
F: +961 6 447861



## Saida Branch

Al Nijmeh Square Area,  
Riad al Solh Street, Main Road,  
Zeidan Building  
**Branch Manager:** Mr. Bilal Akoum  
T: +961 7 754477  
F: +961 7 754488



## Chtaura Branch

Damascus Main Road,  
Haddah Building,  
**Acting Branch Manager:** Mr. Rabih Taktak  
T: +961 8 546150/1  
F: +961 8 546153



## Haret Hreik Branch

Martyr Ahmad Kassir Street,  
Sawli Center Building,  
**Branch Manager:** Mr. Assem Al Mokdad  
T: +961 1 543673/4  
F: +961 1 543672



## Cola Branch

Cola, Abed Albaset Ghandour Street,  
Damascus Building, Ground Floor,  
Facing AUL University  
**Branch Manager:** Mr. Mohammad Daher  
T: +961 1 309791/2/3  
F: +961 1 309806



## Aramoun Branch

Aramoun Main Road,  
Chehab Commercial Center,  
**Acting Branch Manager:** Mr. Ghassan Attar  
T: +961 5 814005  
F: +961 5 814006

## ATM's:

Abou Samra: Al Shiraa' square, Al Sheikh Ekhwan Pastry, Tripoli  
Dar Al Shifaa Hospital: Al Manar Road, Tripoli  
Al Rasoul Al Aatham Hospital: Airport Road, Beirut

# Al Baraka Banking Group



## Jordan

### Jordan Islamic Bank

Jordan Islamic Bank was the first Islamic bank in Jordan and was established in 1978 to carry on all types of financing, banking and investment activities in compliance with the provisions of the glorious Islamic Shari'a. The bank offers its banking, investment and financing services through its 85 branches and cash offices in addition to a Bonded office, distributed throughout the Kingdom of Jordan.

#### Mr. Musa Shihadeh

Vice Chairman & CEO

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F: +9626 566 6326

[www.jordanislamicbank.com](http://www.jordanislamicbank.com)

## Pakistan

### Al Baraka Bank (Pakistan) Limited

Al Baraka Bank (Pakistan) Limited has been present in its erstwhile form of 29 branches of Al Baraka Islamic Bank B.S.C. since 1991. In October 2010, it acquired Emirates Global Islamic Bank to form Al Baraka Bank (Pakistan) Limited and now has a total of 130 branches.

#### Mr. Shafqaat Ahmed

Board Member & CEO

162 Bangalore Town

Main Shahrah-e-Faisal Karachi

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F: +92 21 34530981

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## Indonesia

### Al Baraka Banking Group Representative Office, Indonesia

Founded 2008

Indonesia's economic growth in 2014 is estimated to have been 5.0%, a slight decline from the 5.6% seen in 2013. The current account deficit was reduced somewhat to -2.8% of GDP, while the budget deficit was more significantly improved, at -2.3% of GDP compared with 2013's -3.3% of GDP. The rate of inflation, at 6.4%, compared well with 7.9% the year before.

ABG's Indonesia Representative Office assesses and reports on the potential for the Group to do business in the country or to consider the acquisition of suitable local banks. The representative office is also responsible for maintaining contact with regulators and major banking groups in Indonesia and for preserving the image and brand value of the Group. With trade flows between Indonesia and many of the countries where the Group operates continuing to grow, the representative office pro-actively identifies business opportunities and generates leads that are directed towards ABG subsidiaries.

#### Mr. Moesfian Mokhtar

Chief Representative

Ravindo Building,

10th Floor Jalan Kebon Sirih,

No. 75 Jakarta Pusat 10340 Indonesia

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[www.albaraka.com](http://www.albaraka.com)

# Al Baraka Banking Group

## Bahrain

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

Al Baraka Islamic Bank was incorporated in Bahrain in February 1984 and operates as a retail Islamic bank. It obtained a commercial banking licence in Pakistan in 1991. The bank operates 6 branches in Bahrain.

#### Mr. Mohammed Al Mutaweh

Board Member & CEO

Al Baraka Tower, Building No. 238  
Road No. 1704, Block No. 317 Diplomatic Area,  
P.O. Box 1882 Manama  
T: +973 17 535 300  
F: +973 17 533 993  
[www.albaraka.bh](http://www.albaraka.bh)

## Turkey

### Al Baraka Türk Participation Bank

Al Baraka Türk Participation Bank was established in 1985 and started operations in the same year. Al Baraka Türk currently renders its services through its 202 branches including 1 branch in Iraq, 82 of which are in Istanbul and 119 in the leading industrial and commercial cities.

#### Dr. Fahrettin Yahsi

General Manager & Board Member

Saray Mahallesi  
Dr. Adnan Büyükdeniz Caddesi,  
No. 6 34768 Ümraniye, Istanbul  
T: +90 216 666 01 01  
F: +90 216 666 16 00  
[www.albaraturk.com.tr](http://www.albaraturk.com.tr)

## Tunisia

### Al Baraka Bank Tunisia

Al Baraka Bank Tunisia was established in 1983. The bank has both offshore and local retail activities in accordance with Shari'a principles. The bank operates 13 branches spread over the most important economic regions of the country, supported by 14 Automated Teller Machines (ATMs), also during 2014 adding 3 exchange offices at Tunis-Carthage international Airport.

#### Mr. Fraj Zaag

Board Member & General Manager

65, Avenue Mohamed V 1002 Tunis  
T: +216 71 186 500 | +216 71 186 585  
F: +216 71 780 235 | +216 71 908 170  
[www.albarakabank.com.tn](http://www.albarakabank.com.tn)

## Libya

### Al Baraka Banking Group Representative Office, Libya

Founded 2011

The IMF reckons that Libya's GDP may have fallen by almost 20% in the last year as the country continues to suffer unstable and unsettled conditions and a halving of crude oil production. Although it still retains \$120 billion of foreign exchange reserves, these are being drawn down very quickly.

ABG opened its new representative office in Tripoli in early 2013, in order to place the Group advantageously in the promising Libyan banking market to await the return to relative normality. The representative office supports and liaises with ABG units to help establish and maintain relationships with local regulators and banks and explore appropriate opportunities for business when appropriate.

#### Mr. Mohamed ElKhazmi

Chief Representative

Tripoli Tower, Tower 1 14th Floor,  
Office No. 144 P.O. Box 93271, Tripoli  
T: +218 (21) 336 2310 | +218 (21) 336 2311  
F: +218 (21) 336 2312  
[www.albaraka.com](http://www.albaraka.com)

## Algeria

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

Banque Al Baraka D'Algerie was incorporated in May 1991 as the first Islamic Bank and operates under a commercial banking licence issued by the Bank of Algeria. The main activities of the bank are retail and commercial banking. The Bank operates 28 branches.

#### Mr. Mohamed Seddik Hafid

Board Member & General Manager

Hai Bouteldja Houidef, Villa No. 1 Rocade Sud,

Ben Aknoun, Algiers

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F: +213 21 91 64 58

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## South Africa

### Al Baraka Bank Limited - South Africa

Al Baraka Bank Limited was established in 1989 and operates as a commercial Islamic bank. The bank has 3 corporate offices and 7 retail branches and a business office.

#### Mr. Shabir Chohan

Board Member & CEO

2 Kingsmead Boulevard, Kingsmead Office Park

Stalwart Simelane Street, P.O. Box 4395 Durban 4000

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F: +2731 364 9001

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## Sudan

### Al Baraka Bank Sudan

Al Baraka Bank Sudan was established in 1984 and its activities comprise retail, corporate, commercial and investment banking. The bank operates 26 branches and 1 sub-branch.

#### Mr. Abdullah Khairy Hamid

General Manager

Al Baraka Tower

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Qasr ST Khartoum Sudan

T: +249187 112 000

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[www.albaraka.com.sd](http://www.albaraka.com.sd)

## Syria

### Al Baraka Bank Syria S.A.

Al Baraka Bank Syria was established in 2009 and has grown as an Islamic institution offering a variety of financing products and services that suit different market segments and address their financial needs, via a chain of 10 branches spread across the major cities in Syria.

#### Mr. Mohammed Halabi

Chief Executive Officer

Alshahbinder Street

P.O. Box 100 Damascus

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F: +963 11 443 78 10

[www.albarakasyria.com](http://www.albarakasyria.com)

# Al Baraka Banking Group

## Egypt

### Al Baraka Bank Egypt

Al Baraka Bank Egypt commenced its activities in accordance with Shari'a principles over 25 years ago and has grown as an Islamic institution to become one of the foremost in the Egyptian market. It provides a variety of services, products and savings deposit options to suit different requirements and financing programmes to meet the requirements of various sectors of the Egyptian market, in addition to credit facilities for companies and joint financings for large and important national projects. The bank currently has 28 branches and 4 foreign exchange offices, spread across the major Egyptian cities.

#### Mr. Ashraf El Ghamrawy

Vice Chairman & CEO  
60, Mohie Elddin Abu Elezz Street  
P.O. Box 455 Dokki, Giza  
T: +2023 748 1222  
F: +2023 761 1436/7  
[www.albaraka-bank.com.eg](http://www.albaraka-bank.com.eg)

## Kingdom of Saudi Arabia

### Itqan Capital

Itqan Capital is a Saudi Arabia based investment company licensed by the Capital Market Authority, engaged in asset and portfolio management, principal investment, debt and equity arrangement, Itqan Capital aspires to be the Kingdom's pre-eminent provider of investment offerings to pension funds, foundations, charities, endowments, private and public companies, high net worth individuals and family offices.

#### Mr. Adil S. Dahlawi

MD & CEO

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F: +966 12 234 7222  
[www.itqancapital.com](http://www.itqancapital.com)

**Bank Al Baraka s.A.L.**

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F: +961 1 748068

[al-baraka.com](http://al-baraka.com)