

# Annual Report 2016



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**Best Islamic Bank  
in Lebanon  
For 2016**



**Your Partner Bank**



### 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.



## 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



In the Name of God, the Most Graceful, the Most Merciful and Prayers and Peace upon the Most Merciful of Our Messengers Mohammad, His Family and Companions

Dear Shareholders,

## **Distinguished Shareholders,**

It gives me great pleasure to present to you, on behalf of the Board of Directors of Al-Baraka Bank s.a.l and the Executive Management, the annual report of the year ending on 31 December 2016 and a review of this year's performance.

## **An Overview of the Lebanese Economy in 2016**

Dear Gentlemen,

In 2016, most indicators of the real sector recorded some increase compared to the previous year compared to a decline in a few indicators. The political breakthrough represented by the election of the Lebanese President at the end of October of 2016 and the formation of a new government would improve the prospects for economic growth because of the positive impact on confidence of consumers and investors.

The balance of payments in 2016 showed a surplus for the first time since 2010 worth more than USD 1.2 billion after a deficit of about USD 2.4 billion in 2015, due to a significant increase in financial flows to Lebanon in 2016 compared to 2015. Also, the growth rate of the banking sector amounted to 9.9% in 2016 compared to 5.9% in 2015. As for the monetary situation, the Bank's foreign currency assets increased to more than USD 34 billion at the end of 2016 compared to USD 30.6 billion at the end of the previous year. Interest rates on Treasury Bills remained stable in 2016 while interest rates on the Lira and the Dollar moved only within a narrow range. Total public debt increased by 6.5% in 2016 compared to 5.6% in 2015.

## **Performance of the economic sectors in general:**

There was an increase in the number of tourists visiting Lebanon in 2016 by 11.2% as opposed to 2015, and there were a total of 5538 flights from and to Rafic Hariri International Airport with around 300,000 passengers visiting Lebanon.

As for the import of goods, commodity imports reached USD 1536 million in December 2016 compared to USD 1841 million in December 2015, which means an increase in commodity imports by 3.5% in 2016 compared to 2015 while imported quantities increased by a higher rate amounting to 10.7%.

Commodity exports amounted to USD 244 million in December 2016 compared to USD 236 million in December 2015 and the quantity of commodity exports slightly increased by 0.8% in 2016 as opposed to the preceding year.

The real estate sector witnessed a slight improvement in 2016 as real estate sales increased by 1.4% on annual basis to reach 64248 operations compared to 63386 operations in 2015. In addition, the number of building permits decreased by 0.9% to reach 12.2 million square meters compared to 12.31 million square meters in 2015.



## Performance of the Lebanese Banking Sector in 2016

Distinguished Gentlemen,

The total budget of commercial banks, indicating the volume of banking activity, increased by 9.9%; deposits by 7.2% and loans to the private sector by 5.5% at the end of December 2016.

The rate of dollarization of private resident and non-resident deposits rose slightly to 65.88% at the end of December 2016 compared to 64.9% at the end of 2015.

Also, total deposits with commercial banks, which include deposits of resident and non-resident private sector in addition to deposits of public sector, increased by 7.4% in 2016 compared to a lower increase rate in 2015 amounting to 5.0%.

Private funds of commercial banks reached USD 18.2 billion at the end of December 2016 compared to USD 16.7 billion at the end of 2015, and comprised 8.9% of total consolidated budget and 31.9% of total loans to the private sector, which constituted an increase by 9.4% in 2016 compared to an increase by a lower rate in 2015 amounting to 6.0%.

Loans from commercial banks to resident private sector increased at the end of December 2016 to USD 51,040 million compared to USD 48,045 million at the end of 2015.

Loans from commercial banks to the public sector at the end of December 2016 deteriorated by 8.1% in 2016 compared a slight increase in 2015 amounting to 1.2%.

## Al-Baraka Bank s.a.l Results at the end of 2016

Dear Sirs,

Budget items of Al-Baraka Bank s.a.l decreased in 2016 with total assets amounting to USD 339.25 million compared to USD 346.29 million at the end of 2015. The decrease was mostly due to the maturity of restricted investments conducted with a correspondent bank.

Also, speculations and agencies with banks recorded a decrease estimated at USD 23.83 million to reach USD 52.85 million, i.e. by 31%. Moreover, investments in Murabaha, leasing, Istisna'a, Musharaka, real estates, equities, warrants and affiliates increased to USD 146.28 million compared to USD 132.11 million at the end of 2015, an increase by 11%.

Customer deposits increased to USD 280.55 million compared to USD 277.52 million at the end of 2015. Net operating income was USD 8.16 million in 2016, a decrease of USD 4.67 million over 2016, largely due to profit optimization resulting from the sale of the Verdun Branch in 2015.

General investment expenditure increased by USD 10.93 in 2016 compared to USD 10.64 in 2015, i.e. by less than 3% despite payment of exceptional compensations for a number of employees due to the policy of rationalization of expenditure pursued by the Board of Directors and the Executive Management.

### Finally,

I am pleased to thank Banque du Liban for its continuous support for all the Bank's programs and activities as well as its guidance to develop these programs and activities in conformity with Islamic banking standards.

I also extend my thanks to the members of the honorable Shariah Supervisory Board for their appreciated efforts and valuable guidance and for their noble contributions.

Sincere thanks go as well to all members of the Board of Directors for their efforts and for the executive management and all employees at Al-Baraka Bank s.a.l. for their earnest efforts throughout the past year. Many thanks to our dear clients and loyal investors who have trusted and supported us to achieve our goals.

Wa Assalamu Alaikom wa Rahmatu Allah wa Barakatoh

On Behalf of Board of Directors  
Adnan Ahmad Yussef  
Chairman - General Manager



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



In the Name of God, the Most Gracious, the Most Merciful and Prayers and Peace upon the Most Merciful of Our Messengers Mohammad, His Family and Companions

## Dear Shareholders,

Assalamu Alaikom wa Rahamtu Allah wa Barakatohu,

While the region is witnessing disorder and unrest, Lebanon continues to suffer from political instability despite the election of a president, which has negatively affected the Lebanese economy. Besides, the crisis of the Syrian refugees is a major social and economic burden which continues to cast its shadow on the national level. However, and despite these challenging circumstances, we managed to maintain the stable position of the Bank.

In fact, we have put much time and effort to increase the Bank's share of the local market by launching new services and products to maintain the Bank's competitive edge and create opportunities to attract new categories of customers.

Indeed, it is this effort which has enabled the Bank to win, for the third year in a row, the award of the "Best Islamic Financial Institution in Lebanon" for 2016 presented by Global Finance.

These awards are highly telling as they mean that we are on the correct path and that we must preserve what we have achieved so far and work towards further accomplishments.

## Dear Gentlemen,

Our accumulated achievements would not have been possible without the diligent follow-up and prudent guidance of the Board of Directors, which enabled Al-Baraka Bank to maintain its position as the leading Islamic bank at the national level.

In recognition of this trend and in response to the needs of the market and the requirements of customers, the Bank introduced a range of products and services that have received customers' appreciation:

Thus was Al-Baraka Green which aimed at allowing customers to buy environment friendly equipment for solar power generation at very competitive prices.

Another service was Al-Baraka Amanat for customers to keep their valuables and personal documents through the safety deposit box service.

Also, we launched the Customer Service Center to respond to customers' inquiries, requests and complaints while promoting telemarketing, which has resonated positively with customers.

## Dear Gentlemen,

The Bank's Management Board has endeavored to maintain the stable position of the Bank and has worked to develop its operations while achieving a continuous reduction in operating expenses in order to attain steady and upward growth in profitability and return on investment while seeking to acquire a larger percentage of the local market in order to accomplish continuous growth rates in the coming years. To achieve this objective, the Bank has introduced a range of distinctive Shariah-compliant banking products and services. It also performed financing and investment operations while maintaining the highest quality standards in providing banking services to all customers.

Increasing the level of integration among the Bank's departments is still a top priority addressed in accordance with effective mechanisms and systems that lead to further cooperation in performance and accuracy in implementation, as well as an orderly system of operations which accurately implements and controls the various banking transactions.

Moreover, the information system in the Bank is being constantly updated to keep pace with the contin-



uous development of information technology at the level of hardware and software to ensure the highest level of accuracy and efficiency in the execution of operations. Ultimately, this guarantees the flow of information and statistics required for business development and meets the requirements of disclosure, transparency and good governance.

The development of employees, the improvement of their skills and the acquisition of new experiences are central to the Bank's priorities. Accordingly, a number of initiatives were implemented during the year to meet the diverse developmental needs at various levels of employment.

The Bank has maintained administrative development program by nominating managers to participate in a range of courses and conferences. The program also noted career planning for middle-management employees who have remarkable potentials to enhance their skills and expand their banking talents, work on refining and acquiring these skills at the operational level in addition to providing several training programs and internal workshops.

We are quite positive that we would be able to enhance the position of the Bank and strengthen its standing in the Islamic banking market in Lebanon.

### **Distinguished Gentlemen,**

Social responsibility is a major commitment for Al-Baraka Bank s.a.l., and even lies at the core of its banking principles. Thus, the Bank always seeks to establish this obligation in the community as part of the social responsibility objectives adopted by Al-Baraka Banking Group.

In line with this conviction, the Bank has signed cooperation protocols with different municipalities to offer small-scale financing without the need to provide any guarantees in order to encourage individual entrepreneurs and microenterprises.

Also, a group of programs and sponsorships have been launched to promote environmental projects, including afforestation campaigns to increase green spaces in Lebanon, especially in rural areas.

The Bank has paid major attention to persons with special needs by sponsoring their sports activities and encouraging those skilled among them to develop their abilities.

Health support had its share in the social responsibility activities of the Bank as it provided treatment for chronic diseases and for needy categories who receive no support.

Besides, the Bank has continued to sponsor miscellaneous activities including the support of charitable and women empowerment projects, as well as cultural, social, sports and youths activities.

### **Lastly,**

I sincerely thank Banque du Liban for its unrelenting support and encouragement, and for its effective role in maintaining the stability of the Lebanese banking sector.

I extend my thanks as well to the members of the Board of Directors for their support and guidance throughout the last year while at the same time I express my appreciation for the genuine efforts made by all employees.

I also thank the members of the Shariah Supervisory Board for their valuable efforts and contributions towards the operation of the Bank in accordance with Shariah provisions. Many thanks go to our valued customers who have given us their trust and support, and we assure you all of our constant commitment to achieving the best results and accomplishments.

**Mutasim Mahmassani**

Board Member - General Manager

# Financial Indicators





## Financial Indicators

**-2.16%**

Total Investments

**-0.84%**

Total Deposits

**-28.88%**

Total Assets

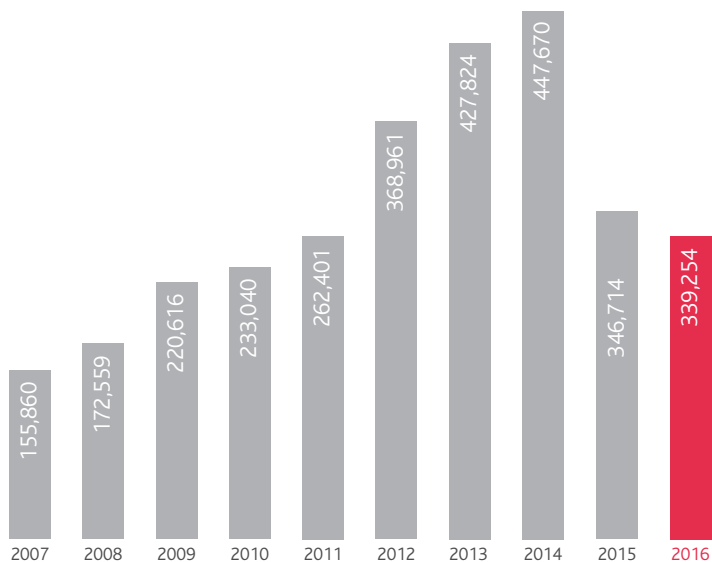
### Amounts in Thousand Dollars

Item/Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Assests	155,860	172,559	220,616	233,040	262,401	368,961	427,824	447,670	346,741	<b>339,254</b>
Total Financing	33,186	55,852	68,734	80,079	70,958	152,104	177,750	160,352	114,931	<b>129,347</b>
Total Investments	84,802	71,520	96,772	102,914	117,697	95,211	98,480	107,555	110,860	<b>78,840</b>
Total Provisions for Doubtful	10,328	10,358	8,316	8,055	7,996	7,871	4,293	4,308	3,973	<b>3,757</b>
Total Deposits	123,623	129,052	179,771	191,504	225,168	317,229	378,839	408,047	308,553	<b>305,961</b>
Total Shareholders' Equity	18,260	30,453	27,943	27,043	24,787	24,839	23,315	23,994	24,862	<b>22,161</b>



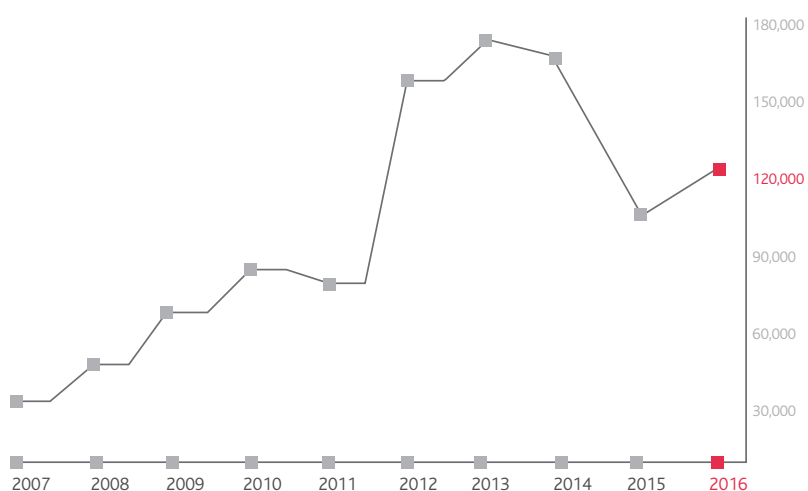
## Total Assets

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
2015	346,741
2016	339,254



## Total Financing

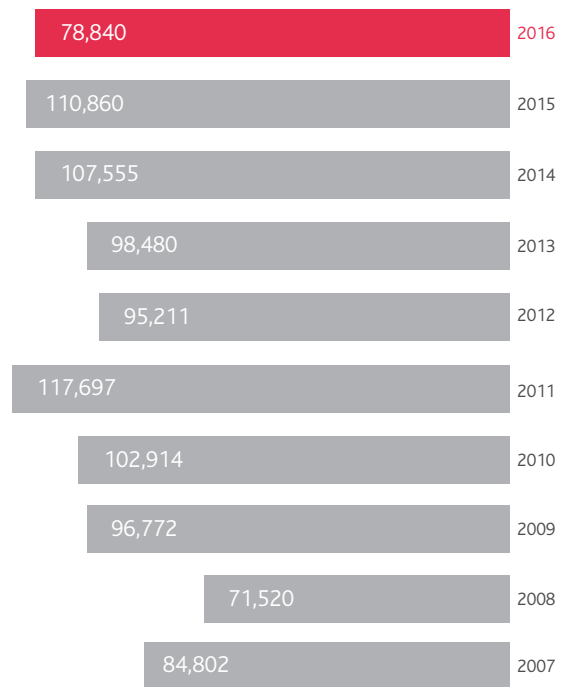
Year	Total Financing
2007	33,186
2008	55,852
2009	68,734
2010	80,079
2011	70,958
2012	152,104
2013	177,750
2014	160,352
2015	114,931
2016	129,347





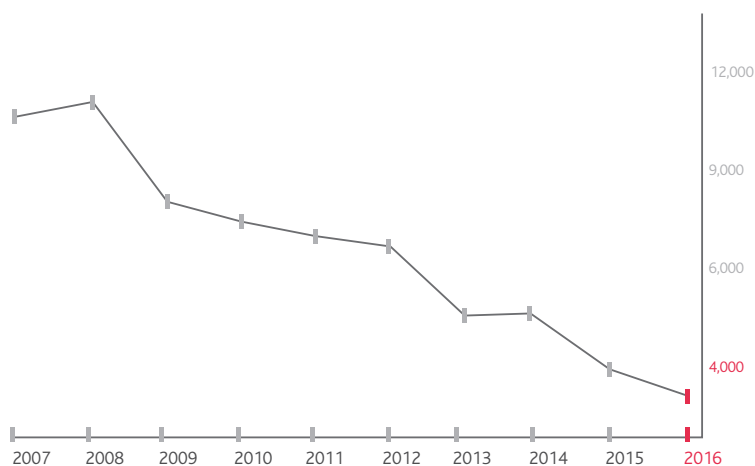
## Total Investments

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
2015	110,860
2016	78,840



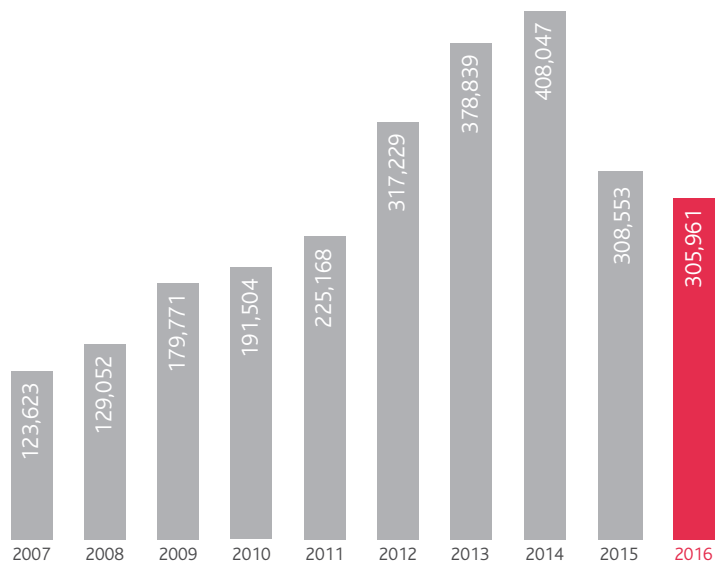
## Total Provisions For Doubtful

Year	Total Provisions for Bad Loans
2007	10,328
2008	10,358
2009	8,316
2010	8,055
2011	7,996
2012	7,871
2013	4,293
2014	4,308
2015	3,973
2016	3,757



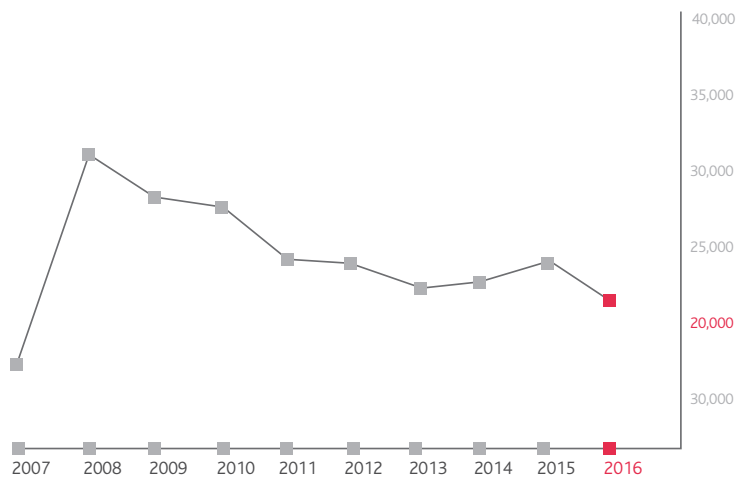
## Total Deposits

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
2015	308,553
2016	305,961



## 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
2015	24,862
2016	22,161



# Board Members and Executive Board





## 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 40 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 33 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.



**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 39 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 30 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 Shariaa 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 Shariaa supervision.



### **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 22 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 52 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 Board



**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



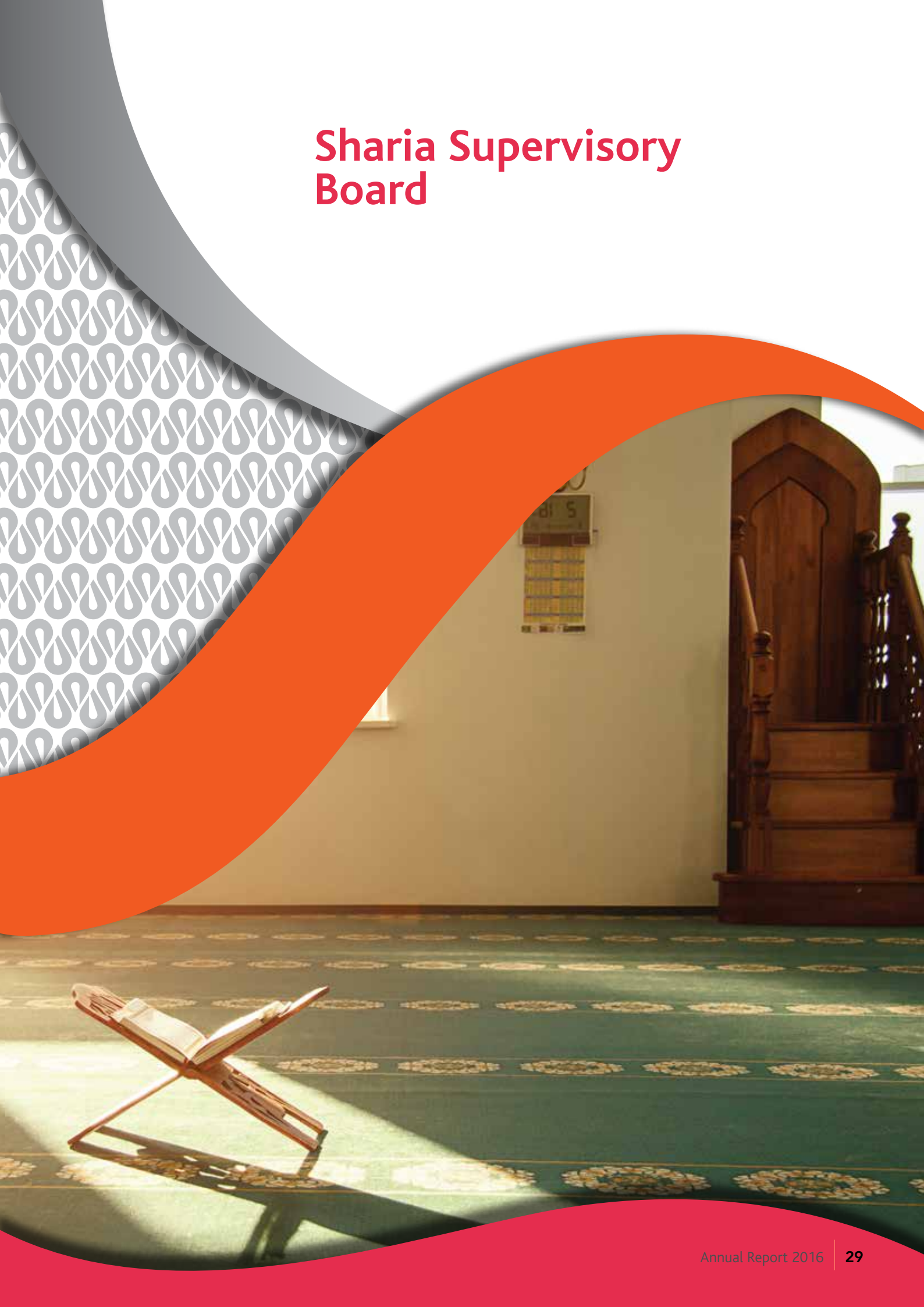
**Mr. Oussama Fakhoury**  
Deputy General Manager

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 29 years of work in multinational banking groups complemented with a diploma in Islamic Banking from the UK.

# 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



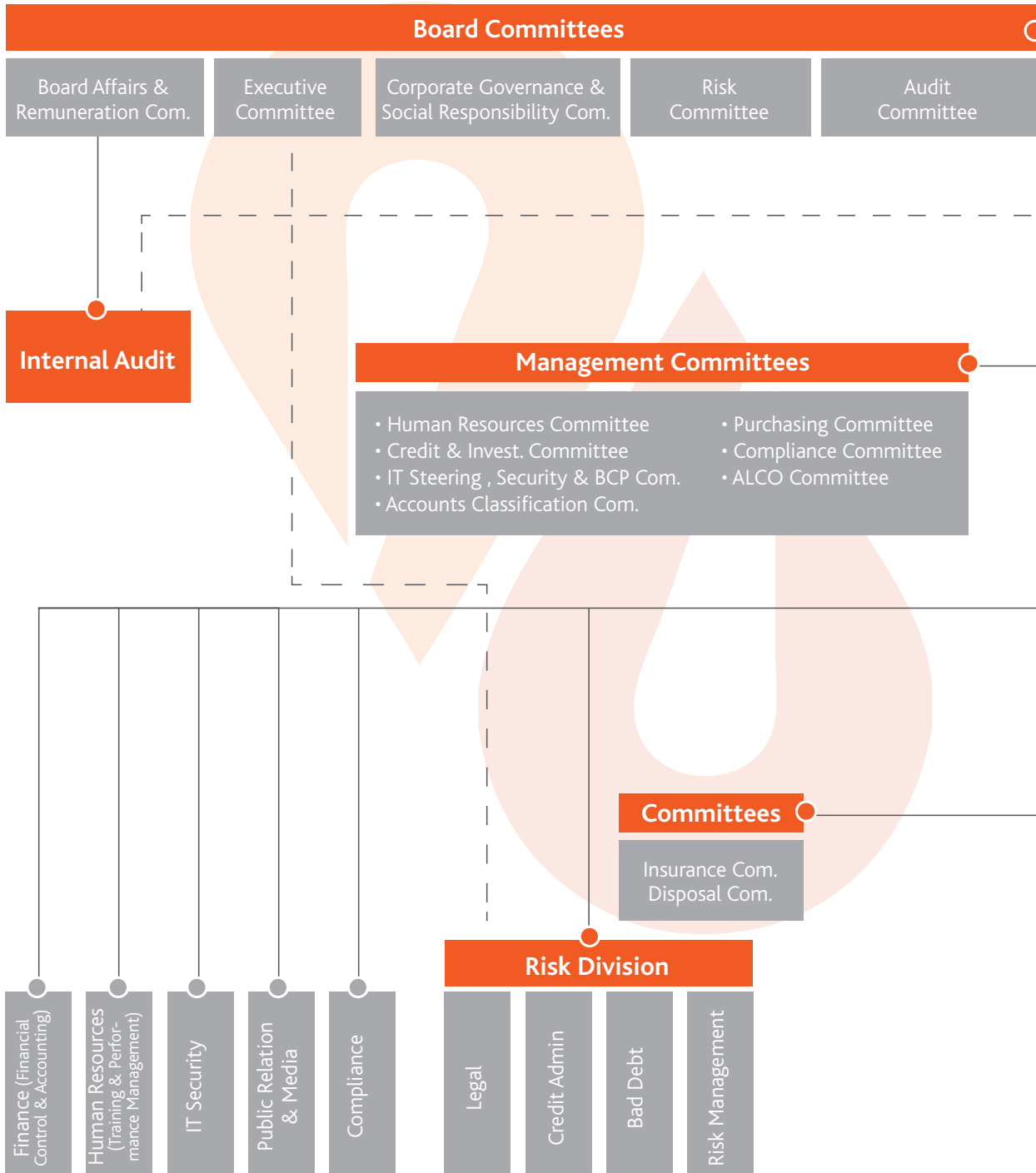
**Sheikh  
Hassan Awwad**  
Sharia Board  
Member



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

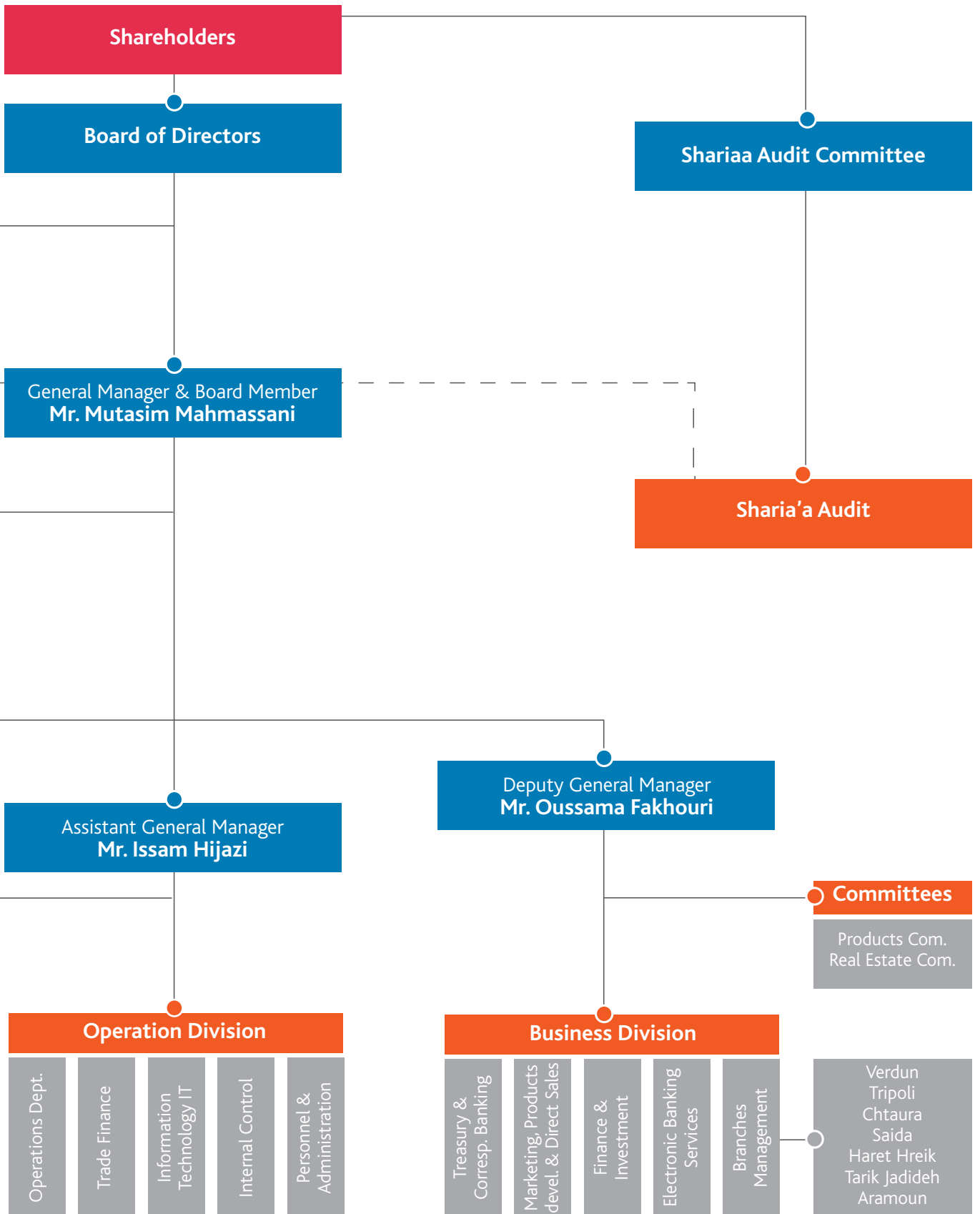


# Organizational Chart





# Organizational Chart





# 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 Yusef	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	Member		
Hussein Said Saifan	Jordanian	Member	Member				President
Mutasim Mahmassani	Lebanese	Member	Member				Member

- Mr. Joseph Khoury Helou's membership in the Risk Management and Board Affairs Committee has ended on 20th of May 2016.



### 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	5	5/5
Saleh Mohammad Al Yousef	5	4/5
Mutasim Mahmassani	5	5/5
Hachem Abou Abboud	5	5/5
Hisham Al Shaar	5	4/5
Joseph Khoury Helou	5	3/5
Farouk Mahfouz	5	5/5
Hussein Said Saifan	5	4/5

## 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.



- 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.



- 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	3	3/3
Hisham Al Shaar	3	3/3
Joseph Khoury Helou	3	3/3

### 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
Al Mufti Sheikh Abdul Latif Derian	4	4/4
Sheikh Dr Abdul Sattar Abu Ghuddah	4	4/4
Al Mufti Sheikh Khalil al-Mayss	4	4/4
Judge Sheikh Hassan Awad	4	4/4
Dr. Osama al-Rifai	4	3/4



### 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
Hussein Said Saifan	2	2/2
Saleh Mohammad Al Yousef	2	2/2
Joseph Khoury Helou	1 Membership has ended	1/1
Farouk Mahfouz	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	2 Membership has ended	1/2
Hachem Abou Abboud	4	4/4
Farouk Mahfouz	4	4/4
Mutasim Mahmassani	2	2/2



### 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.

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	5	5/5
Mutasim Mahmassani	5	5/5
Hachem Abou Abboud	5	5/5
Hussein Said Saifan	5	5/5

## 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



### **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





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 31/12/2016**

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 31/12/2016 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 31/12/2016, 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:



- 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 02/02/2017

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





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

## Opinion

We have audited the accompanying consolidated financial statements of Al Baraka Bank S.A.L. and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of a Matter

The Group's net financial revenues for the year 2015 and 2016 have decreased persistently resulting in recurring operational losses. In that respect, the Group is required to take the necessary appropriate measures to improve its productivity and performance enabling it to achieve operational profitability through required amendments in its financial structure, increase its investment portfolio, in addition to the support from the parent company.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matters

### **Adequacy of provision for investments risks in the bank's own accounts and unrestricted and restricted fiduciary and investments accounts:**

Provision for investment risk reserve is considered a key audit matter to the financial statements since its computation depends on management estimation of the financing facilities granted and the probability of default is due to the decline in the debtors financial and economical situation especially if the correspondent guarantees are not sufficient.

Worth mentioning that the bank's activities consist mainly of unrestricted and restricted fiduciary transactions in off-balance sheet accounts given that it operates within the Islamic banking framework. Based on that, the bank's provision for its investments comprises of following:

- Provision for doubtful financing facilities
- Collective provision for financing facilities granted
- General provision for investment risk reserve

### **Investment property valuation:**

Investment properties are initially measured at cost in the statement of financial position. Subsequent to initial recognition, investment properties are measured at fair value. Gain or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss and other comprehensive income.

In this connection, investment properties represents the bank's investment in Vertini real estate project disclosed under Notes 27 ( c ) & (g).

### **How our audit addressed the key audit matters?**

The audit steps performed included the understanding of the financing facilities in addition to examining the internal controls over granting, reviewing, and valuing management estimates regarding the provision for investment risk.

We examined and tested the bank's policy in accounting for the provisions required in addition to testing a sample of the unclassified, special mention, and classified financing facilities granted.

We assessed the management estimates and assumptions affecting the provision for credit losses such as the valuation of guarantees, customers' solvency, Central Bank and the Board of Directors' Circulars and Resolutions respectively to ensure the adequacy of provisions accounted for in addition to recomputation of required provisions for the sample selected.

Valuation of provision for credit losses and related contingencies are disclosed under Notes 20, 27 (c) and (m).

Valuation of investment properties is a key audit area to our audit.

We reviewed the investment property cost up to the end of 2016, and received a confirmation from the contractor stating that the building under construction is almost 90% completed and expected to be finalized by the end of May 2017.

Also, we reviewed the Istisnaa contracts and payments on account regarding the 13 apartments sold from the project. Our audit included assessing the adequacy of the assumptions followed by management.

Worth mentioning that when the project is finalized, the value of the unsold apartments will be transferred from investment properties to completed units ready for sale.



## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our



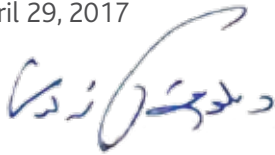
opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters with those charged with governance, we determine those matters that were most of significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beirut, Lebanon  
April 29, 2017



Deloitte & Touche



Sidani & Co.



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

ASSETS	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
Cash and Central Bank	5	101,732,558	121,837,988
Deposits with banks and financial institutions	6	14,304,874	19,513,987
Financing facilities	7	3,144,539	2,116,472
Investment securities	8	436,097	166,240
Investments in Sukuk at fair value through profit or loss	9	-	-
Other assets	10	5,886,761	5,629,463
Property and equipment	11	20,806,038	21,285,322
Intangible assets	12	1,199,553	1,267,745
Debit balance with restricted fiduciary and investments accounts	13,27	25,544,920	3,285,353
<b>Total Assets</b>		<b>173,055,340</b>	<b>175,102,570</b>
Unrestricted fiduciary and investments assets	27	352,033,178	344,906,670
Restricted fiduciary and investments assets	28	34,678,535	41,876,128

LIABILITIES	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
Deposits from banks	14	3,897,618	8,363,460
Customers' deposits and other credit balances	15	83,221,533	91,360,334
Accounts payable and miscellaneous creditors	16	1,969,032	2,693,336
Provisions	17	2,747,549	2,845,996
Credit balance with unrestricted fiduciary and investments accounts	18,27	47,811,531	33,070,372
<b>Total liabilities</b>		<b>139,647,263</b>	<b>138,333,498</b>

EQUITY	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
Share capital	19	30,000,000	30,000,000
Shareholders' cash contributions to capital	19	4,238,342	4,238,342
Reserves	20	1,217,261	1,217,261
Cumulative change in fair value of investment securities	8	209,215	166,240
retained earnings	19	1,147,378	756,729
(loss) / Profit for the year	19	(3,404,119)	390,500
Total Equity		33,408,077	36,769,072
<b>Total Liabilities and Equity</b>		<b>173,055,340</b>	<b>175,102,570</b>
Unrestricted fiduciary and investments liabilities	27	352,033,178	344,906,670
Restricted fiduciary and investments liabilities	28	34,678,535	41,876,128



## Financial Instruments With Off-Balance Sheet Risks 26

	December 31st	
	2016 LBP'000	2015 LBP'000
Commitments under documentary letters of credit	2,286,517	818,601
Commitments under guarantees	10,060,002	12,289,030
Issued commitments under documentary letters of credit	15,717,104	13,551,203
Financial instruments for customers	2,828,262	2,828,262

*see accompanying notes to the financial statements*

## Consolidated Statement of Profit Or Loss

	Notes	Year-Ended December 31st	
		2016 LBP'000	2013 LBP'000
<b>Net Investment Revenues:</b>			
Deposits with banks	21	2,196,465	2,159,476
Investments in Sukuk	9	68,534	427,355
		2,264,999	2,586,831
Cost of funds		(49)	(629)
		2,264,950	2,586,202

	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
<b>Net Fees And Commissions Income On Banking Services:</b>	<b>22</b>		
Fees and commissions income		1,269,516	1,456,317
Fees and commissions expense		(371,642)	(364,179)
		897,874	1,092,138
Gain on exchange		655,414	789,895
Dividend income		13,982	11,694
Gain on sale of fixed assets	11	-	4,725,111
Gain on sale of an associate	23	-	475,261
Write-back of provisions	8	226,882	864,426
Other income		-	26,279
Provision for devaluation of investments in sukuk	9	-	(1,884,375)
Provision for financing facilities	20	-	(602,000)
Group's share from income of unrestricted fiduciary and investments agreements	27(o)	7,517,597	7,269,027
Group's share from income of restricted fiduciary and investments agreements	28	1,492,153,	1,377,215
		9,906,028	13,052,533
Net financial revenues		13,068,852	16,730,873
Staff costs	24	(9,711,740)	(9,080,073)
General operating expenses	25	(4,836,081)	(5,490,023)
Depreciation and amortization	11,12	(1,925,150)	(1,770,277)
(loss) / Profit for the year		(3,404,119)	390,500
Other comprehensive income		42,975	-
<b>Total comprehensive (loss)/ income for the year</b>		<b>(3,361,144)</b>	<b>390,500</b>
<i>see accompanying notes to the financial statements</i>			



## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year-Ended December 31st	
		2016 LBP'000	2015 LBP'000
(Loss)/profit for the year		(3,404,119)	390,500
Other comprehensive income			
Items that are not subsequently transferable to profit and loss			
Change in fair value of investment in securities through other comprehensive income	8	42,975	-
Total comprehensive (loss)/income for the year		(3,361,144)	390,500

## Consolidated Statement of Changes In Equity

	Share Capital LBP'000	Shareholders' Cash Contribution to Capital LBP'000	Legal Reserve LBP'000	General Banking Risk Reserve LBP'000
Balance at January 1, 2015	30,000,000	6,531,795	309,393	108,954
General reserve for financing facilities - Note 20	-	-	-	-
Allocation of 2014 profit	-	-	-	-
Increase in capital – Note 19	2,282,043	(2,282,043)	-	-
Extinguishment of accumulated losses - Note 19	(2,282,043)	-	-	-
Profit for the year 2015	-	-	-	-
Other movements	-	(11,410)	-	-
Balance as at December 31, 2015	30,000,000	4,238,342	309,393	108,954
Allocation of 2015 profit	-	-	-	-
Total comprehensive (loss)/income for the year 2016	-	-	-	-
Other movements	-	-	-	-
<b>Balance at December 31, 2016</b>	<b>30,000,000</b>	<b>4,238,342</b>	<b>309,393</b>	<b>108,954</b>

see accompanying notes to the financial statements

Special Reserve LBP'000	General Reserve for Financing Facilities LBP'000	Cumulative Change in fair Value of investment Securities LBP'000	Retained Earning LBP'000	(loss) / Profit for the year LBP'000	Total LBP'000
196,914	-	166,240	(2,210,264)	685,099	35,788,131
-	602,000	-	-	-	602,000
-	-	-	685,099	(685,099)	-
-	-	-	-	-	-
-	-	-	2,282,043	-	-
-	-	-	-	390,500	390,500
-	-	-	(149)	-	(11,559)
196,914	602,000	166,240	756,729	390,500	36,769,072
-	-	-	390,500	(390,500)	-
-	-	42,975	-	(3,404,119)	(3,361,144)
-	-	-	149	-	149
196,914	602,000	209,215	1,147,378	(3,404,119)	33,408,077



## Consolidated Statement of Cash Flow

	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
<b>Cash Flows From Operating Activities:</b>			
(loss)/ profit for the year		(3,404,119)	390,500
<b>Adjustments for:</b>			
Depreciation and amortization	11,12	1,925,150	1,770,277
Provisions for devaluation of investments in sukuk	9	-	1,884,375
Provisions for employees end of service indemnity	17	43,081	201,077
Provisions for contingencies	17	-	620,000
Provisions for financing facilities	20	-	602,000
Write-back of provisions	8	(226,882)	-
(Increase)/decrease in financing facilities	7	(1,028,067)	17,356,135
Decrease in customers' deposits and other credit balances	15	(8,138,801)	(13,587,737)
(Increase) / decrease in compulsory reserve with the Central Bank of Lebanon	5	(48,395,000)	630,000
(Increase) / decrease in deposits with the Central Bank of Lebanon	5	(218,671)	16,687
Decrease/(increase) in deposits with banks	6	6,351,655	(526,157)
Increase in other assets		(257,298)	(673,291)
Increase in credit balances with unrestricted fiduciary and investments accounts	18	14,741,159	27,877,650
Decrease in deposits from banks	14	(4,465,842)	(7,971,720)
decrease in accounts payable and miscellaneous creditors	16	(507,217)	(2,302,081)
(Increase) / decrease in debit balances with restricted fiduciary and investments accounts	13	(22,259,567)	1,792,657



## Consolidated Statement of Cash Flow

	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
Settlement of provisions and other movements	17	(358,616)	(164,754)
Other		150	(11,559)
Net cash (used in) generated by operating activities		(66,198,885)	27,904,059
Cash flows from investing activities:			
(Decrease)/ Increase in investments in an associate		-	1,856,610
Decrease in investment in Sukuk at fair value through profit and loss	9	-	7,641,367
Net increase in property and equipment and intangible assets		(1,377,674)	(538,434)
Net cash (used in)/ generated by investing activities		(1,377,674)	8,959,543
(Decrease)/increase in cash and cash equivalents		(67,576,559)	36,863,602
Cash and cash equivalents - Beginning of year	30	93,796,002	56,932,400
<b>Cash and cash equivalents - End of year</b>	<b>30</b>	<b>26,219,443</b>	<b>93,796,002</b>

*see accompanying notes to the financial statements*



## Notes To The Consolidated Financial Statements

Year Ended December 31, 2016

### 1. Bank's Organization And Activities

Al Baraka Bank S.A.L. (the "Group 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 Group 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.

The company is fully owned by Al Baraka Bank as of December 31, 2016 and 2015

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 Group) 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 Group) 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 Group and the client whereby the Group 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.

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

### 2.1 New and Revised IFRSs Applied with No Material Effect on the Consolidated Financial Statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

### 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

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

- |                              |   |
|------------------------------|---|
| 1 January 2017               | <ul style="list-style-type: none"><li>• Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses.</li></ul>   |
| 1 January 2017               | <ul style="list-style-type: none"><li>• Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities..</li></ul>   |
| 1 January 2018               | <ul style="list-style-type: none"><li>• IFRIC 22 Foreign Currency Transactions and Advance Consideration<br/>The interpretation addresses foreign currency transactions or parts of transactions where: there is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.</li></ul>                                   |
| 1 January 2018               | <ul style="list-style-type: none"><li>• Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions.</li></ul>  |
| 1 January 2018               | <ul style="list-style-type: none"><li>• Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard..</li></ul>  |
| 1 January 2018               | <ul style="list-style-type: none"><li>• Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.</li></ul> |
| When IFRS 9 is first applied | <ul style="list-style-type: none"><li>• Amendments to IFRS 7 Disclosure related to early adoption of IFRS 9.</li></ul>  |
| When IFRS 9 is first applied | <ul style="list-style-type: none"><li>• IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.</li></ul>   |
| 1 January 2018               | <ul style="list-style-type: none"><li>• IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)<ul style="list-style-type: none"><li>• IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial</li></ul></li></ul>  |

liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include

a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

**Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

**Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

**Hedge accounting:** The 2014 version of IFRS introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

**Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

## New and Revised IFRSs

### IFRS 15 Revenue from Contracts with Customers

- 1 January 2018
- IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established 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 or services. Specifically, the standard introduces a 5-step approach to revenue recognition:
    - Step 1:** Identify the contract(s) with a customer.
    - Step 2:** Identify the performance obligations in the contract.
    - Step 3:** Determine the transaction price.
    - Step 4:** Allocate the transaction price to the performance obligations in the contract.
    - Step 5:** Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance



obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

- |                                      |  |
|--------------------------------------|--|
| 1 January 2018                       | <ul style="list-style-type: none"><li>• Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</li></ul>   |
| 1 January 2019                       | <ul style="list-style-type: none"><li>• IFRS 16 Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</li></ul> |
| Effective date deferred indefinitely | <ul style="list-style-type: none"><li>• Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.</li></ul>  |

Except for IFRS 9, 15 and 16, Management of the Group does not anticipate that the application of these amendments will have a significant effect on the Group's consolidated financial statements. The Group expects to implement IFRS 9 and 15 by or after the 1st of January 2018, and IFRS 16 by or after the 1st of January 2019 and that it might have material effects on the consolidated financials related to revenues from contracts with customers and the financial assets and liabilities disclosures and rent agreements. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

### 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.

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 Consolidation**

The consolidated financial statements comprise the financial statements of Al Baraka Bank S.A.L. and Dilmun 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.

Control is achieved when the Bank:

- 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 Bank 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.

When the Bank 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 Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank 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 Bank obtains control over the subsidiary and ceases when the Bank 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 Bank gains control until the date the Bank 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 Bank. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Bank 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.



## 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 Group 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 Group 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.

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 Group derecognizes financial liabilities when, and only when, the Group'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 Group 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 Group'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.



## D. Financial Liabilities and Equity Instruments:

### Classification As Debt or Equity:

Debt and equity instruments issued by the Group 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 Group's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Group 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 Group'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 Group 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.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability 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 Group 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.



## 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 Subsidiaries and Associates:

A subsidiary is an entity where the Group is a shareholder and over which has control in its financial and operating policies. Investment in a subsidiary is recorded at cost less provision for impairment, if any.

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 Group's share in the associate losses is transferred from the investment risk reserve account under Unrestricted Fiduciary and Investment Liabilities to the Group'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
Buildings (Used by the Group)	50
Furniture	13.5
Office Equipment	13.5-10
Computer and Electrical Equipment	6.5
Vehicles	8.5
Decoration and General installations	5
Computer software	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 Group 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 (if any).

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.

#### **O. Provisions:**

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group 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 consolidated income statement except to the extent that it relates to items recognized in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Part of debt securities invested in by the Group is subject to withheld tax by the issuer. This tax is deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

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 Group's name for the customers' benefits at their discretion are not considered part of the Group'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 Group'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.

### **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 3H. 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.

### **Going concern:**

The Group's management has made an assessment of the Group's ability to continue as a going concern in accordance with IFRS 1. Management's basis for assessment depended on a group of financial and operational indications. Management, and despite the decreasing net financial revenues during the last years that resulted in operational losses, assumes that the Group have the resources to continue in the business for the foreseeable future. Moreover, the operational and financial support to the Group from the parent company is available, when needed.



## 5. Cash And Central Bank

	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
Cash on hand		3,808,131	5,821,564
Current accounts		23,153,498	41,185,886
Time deposits – Compulsory reserve		51,255,000	51,533,280
Commodity Murabaha		22,612,500	22,612,500
Accrued income receivable		903,429	684,758
		<b>101,732,558</b>	<b>121,837,988</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 LBP19.54billion as at December 31, 2016 was maintained with the Central Bank of Lebanon (LBP16.37billion as at December 31, 2015) 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:

	2016 LBP'000	2015 LBP'000
<b>Group's Own Accounts</b>		
Commodity Murabaha – Compulsory reserve	51,255,000	-
Time deposits – Compulsory reserve	-	50,897,572
Time deposits	-	635,708
	<b>51,255,000</b>	<b>51,533,280</b>

Commodity Murabaha – compulsory reserve with the Central Bank of Lebanon denominated in USD as at December 31, 2016 matures at the beginning of the first half of the year 2017, and up to the end of the first half of year 2018 with an expected return of LBP566million paid semiannually. Return on Commodity Murabaha for the year 2016 amounted to approximately LBP220million.

Commodity Murabaha represents, as of December 31, 2016, one Murabaha transaction with the Central Bank of Lebanon through a resident commercial bank as follows:

	Murabaha Amount	Date of Issuance	Maturity Date	Expected Total
	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

Return on Commodity Murabaha is paid semi-annually. Returns for the year 2016 amounted to around LBP1.94billion (LBP1.69million for the year 2015) (Note 21).



## 6. Deposits With Banks And Financial Institutions

	December 31st	
	2016 LBP'000	2015 LBP'000
Current accounts with resident and non-resident banks	6,730,981	5,334,405
Current accounts with related party banks	4,153,683	4,071,294
Deposits with resident commercial banks - Wakala	1,500,000	7,725,628
Checks for collection	1,883,150	2,219,573
Accrued income receivable	37,060	163,087
	<b>14,304,874</b>	<b>19,513,987</b>

Deposits with resident commercial banks – Wakala outstanding as at December 31, 2016, in Lebanese pounds mature as follows:

	December 31, 2016	
	LBP'000	Average rate of return
<b>Wakala Contracts:</b>		
Up to One month	1,500,000	5.40%

	December 31, 2015	
	LBP'000	Average rate of return
<b>Wakala Contracts:</b>		
Up to one month	4,225,628	5.48%
One to three months	3,500,000	4.75%
	<b>7,725,628</b>	

## 7. Financing Facilities

	December 31st	
	2016 LBP'000	2015 LBP'000
Unpaid bills	30,468	14,722
Qard Hassan		
Employees	292,550	364,902
Retail customers	1,109,980	952,087
Associations	1,070,000	184,739
Creditors accidently debtors	46,335	44,302
	2,549,333	1,560,752
Unearned income	(176,404)	(207,823)
	2,372,929	1,352,929
Bad and doubtful debts	771,610	763,543
<b>Total</b>	<b>3,144,539</b>	<b>2,116,472</b>

Unearned income for the years 2016 and 2015 represent the commissions earned and accounted for "Qard Hassan" Murabaha facilities granted.



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

Name	December 31, 2016					December 31, 2015		
	Cost LBP'000	Provision For Impairment LBP'000	Net Book Value LBP'000	Fair Value LBP'000	Change In Fair Value LBP'000	Accumulated Change In Fair Value LBP'000	Net Book Value LBP'000	Accumulated Change In Fair Value LBP'000
Rymco shares - Quoted	394,049	-	394,049	437,024	42,975	209,215	166,240	166,240
MF Global Ltd Shares - Unquoted	428,301	(429,228)	(927)	(927)	-	-	-	-
	<b>822,350</b>	<b>(429,228)</b>	<b>393,122</b>	<b>436,097</b>	<b>42,975</b>	<b>209,215</b>	<b>166,240</b>	<b>166,240</b>

The Group did not account for the unrealized gain of LBP268million as of December 31, 2015.

During 2016, provision for impairment of the Bank's shares in Rymco amounting to LBP227million was reversed in the statement of profit or loss and other comprehensive income. Accordingly, these shares were presented at their fair value, amounting to LBP437million, as at December 31, 2016.

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

This caption represents Sukuk Wakala issued by banks as follows:

	Credit Rating	Cost LBP'000	Nominal Value	Provision for impairment	Net Book Value	Fair Value		Change In Fair Value	
						2016	2015	2016	2015
Asia bank (Turkey) 7.50% matures in 2023	BB	3,780,056	3,768,750	(3,768,750)	-	-	-	-	(1,884,375)
		<b>3,780,056</b>	<b>3,768,750</b>	<b>(3,768,750)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,884,375)</b>

The movement of Sukuk change in fair value account for the years 2016 and 2015 is stated below:

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year – Credit	3,768,750	1,780,508
Provision at year end 2016	-	1,884,375
Net transfer from reserve investment risk account – Credit (Note 27 m)	-	30,640
Reserve of change in fair value of Sukuk sold	-	73,227
Balance, Ending of year – Credit	<b>3,768,750</b>	<b>3,768,750</b>

The Group's return from investment in Sukuk for the year 2016 amounting to LBP68.5million (LBP427million in 2015) is reflected in the statement of profit or loss and other comprehensive income. In addition, Sukuk Wakala issued by Qatar Islamic Bank and Qatar International Islamic Bank were sold during 2015 resulting in a profit of approximately LBP120million (USD80,000) also reflected under return from investment in Sukuk in the statement of profit or loss and other comprehensive income.

It is to be noted that starting July 2016, no return was transferred to the Group from its investment in Asia Bank Sukuk.



## 10. Other Assets

	December 31st	
	2016 LBP'000	2015 LBP'000
Due from National Social Security Fund – Medical expenses	1,627,169	1,373,898
Prepaid expenses	924,094	769,080
Fiscal stamps	30,251	53,079
Other receivables	1,702,788	1,808,768
Due from parent company	18,338	40,517
Regulatory blocked deposit - Lebanese Treasury	1,500,000	1,500,000
Financial participations unquoted	10,553	10,553
Accrued income receivable - Sukuk	73,568	73,568
<b>Total</b>	<b>5,886,761</b>	<b>5,629,463</b>

Due from the National Social Security Fund – Medical expenses amounting LBP1.62billion represents the accumulated balance due to the Group since 2008.

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.



## 11. Property And Equipment

This caption comprises the following:

	Buildings LBP'000	Decoration LBP'000	Vehicles LBP'000	Furniture LBP'000
<b>Cost:</b>				
Balance as of January 1, 2015	20,886,049	2,016,426	298,392	1,179,591
Additions	-	-	-	1,597
Transfer from advance payments - Note 12	-	1,927,097	2,487	120,974
Disposals	(3,240,443)	(83,267)	(1,507)	(35,034)
Reclassifications and other movement	-	-	-	-
Balance as of December 31, 2015	17,645,606	3,860,256	299,372	1,267,128
Additions	-	-	-	-
Transfer from advance payments - Note 12	-	1,745,136	-	71,983
Reclassifications and other movement	-	-	-	(78,368)
Balance as of December 31, 2016	17,645,606	5,605,392	299,372	1,260,743
<b>Accumulated Depreciation:</b>				
Balance as of January 1, 2015	(2,796,413)	(1,834,283)	(26,343)	(564,177)
Additions	(471,437)	(380,607)	(35,305)	(67,389)
Disposals	1,604,551	82,715	357	31,453
Reclassifications and other movement	-	-	-	-
Balance as of December 31, 2015	(1,663,299)	(2,132,175)	(61,291)	(600,113)
Additions	(430,044)	(479,127)	(38,707)	(78,680)
Disposals and other movement	-	-	-	58,318
Balance as of December 31, 2016	(2,093,343)	(2,611,302)	(99,998)	(620,475)
<b>Net Book Value:</b>				
December 31, 2016	15,552,263	2,994,090	199,374	640,268
December 31, 2015	15,982,307	1,728,081	238,081	667,015



# Independent Auditors' Report

Computer Equipment LBP'000	Office Equipment LBP'000	General Installation LBP'000	Electrical Equipment LBP'000	Advance payments LBP'000	Total LBP'000
4,759,795	-	1,225,947	532,314	2,315,946	33,214,460
-	-	-	-	2,262,366	2,263,963
234,231	90,628	7,590	4,438	(3,222,595)	(835,150)
(142,174)	(5,151)	(2,550)	-	-	(3,510,126)
(1,523,129)	1,523,129	-	-	(84,632)	(84,632)
3,328,723	1,608,606	1,230,987	536,752	1,271,085	31,048,515
-	-	-	-	1,391,254	1,391,254
144,846	121,499	86,366	60,727	(2,523,616)	(293,059)
(137,667)	(21,108)	(9,514)	(11,573)	-	(258,230)
3,335,902	1,708,997	1,307,839	585,906	138,723	31,888,480
(3,328,089)	-	(1,188,554)	(396,144)	-	(10,134,003)
(335,130)	(140,464)	(16,891)	(51,196)	-	(1,498,419)
140,745	5,472	-	-	-	1,865,293
1,070,628	(1,070,628)	3,936	-	-	3,936
(2,451,846)	(1,205,620)	(1,201,509)	(447,340)	-	(9,763,193)
(339,825)	(139,060)	(6,213)	(52,243)	-	(1,563,899)
148,198	20,258	6,303	11,573	-	244,650
(2,643,473)	(1,324,422)	(1,201,419)	(488,010)	-	(11,082,442)
692,429	384,575	106,420	97,896	138,723	20,806,038
876,877	402,986	29,478	89,412	1,271,085	21,285,322

At the end of 2015, the Group's plot located in Verdun was sold for LBP6.4billion (USD4,245,000) resulting in a gain on sale of LBP4.72billion reflected in the consolidated statement of profit or loss and other comprehensive income.



## 12. 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, 2015	3,698,140	(2,993,687)	704,453
Additions - Transfer from advance payments (Note 11)	835,150	(271,858)	563,292
Balance December 31, 2015	4,533,290	(3,265,545)	1,267,745
Additions - Transfer from advance payments (Note 11)	293,059	(361,251)	(68,192)
Disposals	(2,654)	2,654	-
<b>Balance December 31, 2016</b>	<b>4,823,695</b>	<b>(3,624,142)</b>	<b>1,199,553</b>

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

This caption amounting to LBP25.54billion as at December 31, 2016 (LBP3.29billion as at December 31, 2015) 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) representing the withdrawals and deposits resulting from the fiduciary accounts operations.

## 14. Deposits From Banks

	December 31st	
	2016 LBP'000	2015 LBP'000
Deposits from resident commercial banks	788,307	4,711,499
Deposits from related party banks	3,109,311	3,651,961
	<b>3,897,618</b>	<b>8,363,460</b>



### 15. Customers' Deposits And Other Credit Balances

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

	December 31, 2016		
	LBP LBP'000	Foreign Currency LBP'000	Total LBP'000
Current accounts and demand deposits	21,588,664	60,617,420	82,206,084
Transitory accounts for the settlement of fiduciary loans and advances	539	82,796	83,335
Margins against credit cards	6,502	139,427	145,929
Margins against letters of guarantee	658,632	123,438	782,070
Margins against letters of credit	1,100	3,015	4,115
	<b>22,255,437</b>	<b>60,966,096</b>	<b>83,221,533</b>

	December 31, 2015		
	LBP LBP'000	Foreign Currency LBP'000	Total LBP'000
Current accounts and demand deposits	24,025,784	65,920,792	89,946,576
Transitory accounts for the settlement of fiduciary financing facilities	1,709	121,709	123,418
Margins against credit cards	7,749	173,139	180,888
Margins against letters of guarantee	934,874	170,462	1,105,336
Margins against letters of credit	1,101	3,015	4,116
	<b>24,971,217</b>	<b>66,389,117</b>	<b>91,360,334</b>

Customers' deposits mentioned above do not include coded accounts.

Customer's deposits and other credit accounts include related party deposits amounting to LBP 1.06 billion as at December 31, 2016 (LBP 1.2 billion as of December 31, 2015).



## 16. Accounts Payable And Miscellaneous Creditors

	December 31st	
	2016 LBP'000	2015 LBP'000
National Social Security Fund	117,437	149,770
Banker checks – Al Baraka Bank	155,181	118,356
Banker checks – Central Bank of Lebanon	778	2,284
Withheld taxes	294,577	206,857
Miscellaneous creditors	787,595	1,423,398
Accrued liabilities	479,161	646,433
Non-Islamic income allocated for charity	134,303	146,238
	<b>1,969,032</b>	<b>2,693,336</b>

## 17. Provisions

	December 31st	
	2016 LBP'000	2015 LBP'000
Provision for fluctuations in foreign exchange rates	953	953
Provision for employees' end-of-service indemnities	1,798,892	1,804,603
Provision for contingencies	947,704	1,040,440
	<b>2,747,549</b>	<b>2,845,996</b>



## Vision and Mission

The Group's accounts for the years 2012 to 2016, remain subject to examination and final assessment by the Lebanese tax authorities. Any additional tax liability depends on the outcome of this review. It is to be noted that by the end of year 2016, the Lebanese increase tax started reviewing the Bank's accounts for the years 2011 to 2014 inclusive.

The movement of the provision for employees' end-of-service indemnity during the years 2016 and 2015 is summarized as follows:

	2016 LBP'000	2015 LBP'000
Balance, beginning of year	1,804,603	1,639,234
Additions (Note 24)	43,081	201,077
Settlements	(48,792)	(35,708)
<b>Balance, end of year</b>	<b>1,798,892</b>	<b>1,804,603</b>

The movement of provision for contingencies for the years 2016 and 2015 is as follows:

	2016 LBP'000	2015 LBP'000
Balance, beginning of year	1,040,440	549,486
Additions (Note 25)	-	620,000
Transfer from miscellaneous creditors (Note 16)	217,088	-
Settlements	(309,824)	(129,046)
<b>Balance, end of year</b>	<b>947,704</b>	<b>1,040,440</b>

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

This caption amounting to LBP47.81billion as at December 31, 2016 (LBP33.07billion as at December 31, 2015) 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), and which includes the transfer of the at the central Bank of Lebanon to the Group's own account.



## 19. Share Capital

As at December 31, 2016 and 2015, the authorized and subscribed capital of the Group consists of 300,000 shares fully paid at LBP 100,000 each.

Shareholder's cash contribution to capital amounting to LBP 4.24 billion as at December 31, 2016 and 2015 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 Extraordinary General Assembly resolutions the Group is allowed to utilize this cash contribution in offsetting accumulated losses. Accordingly, during the first half of 2015, the Group utilized this cash contribution to write-off its accumulated losses, amounting at the end of 2014 to LBP 2.28 billion in accordance with the Extra Ordinary General Assembly Decision held on October 30, 2014. And according to prevailing banking laws specifically, Article 134 of Law of Money and Credit.

Moreover, the Group's accumulated losses at the end of year 2016 amounted to LBP 2.26 billion which leads to a loss in the Bank's capital that should be reconstituted according to the prevailing banking laws specifically Article 134 of law of money and credit.

## 20. Reserves

	2016 LBP'000	2015 LBP'000
Legal reserve	309,393	309,393
General banking risks reserve	108,954	108,954
Special reserves	196,914	196,914
General reserves for financing facilities	602,000	602,000
	<b>1,217,261</b>	<b>1,217,261</b>

At the end of 2015 and as per the Central Bank of Lebanon Circular # 81, a general reserve was created for the Group facilities granted in 2014, 2015 and 2016 such that the value of the reserve does not fall below 0.25% of the portfolio value in 2014 and 0.5% of the portfolio value in 2015 and 1% of the portfolio value in 2016. This reserve is allocated from net profit and is considered within the Group's Tier 1 Capital.



### 21. Revenue From Deposits With Banks

	2016 LBP'000	2015 LBP'000
Deposits with Central Bank of Lebanon) – Commodity Murabaha (Note 5)	1,944,797	1,687,506
Deposits with commercial and Islamic banks and financial institutions	251,668	471,970
	<b>2,196,465</b>	<b>2,159,476</b>

### 22. Net Fees And Commissions Income

This caption amounting to LBP 898 million as at December 31, 2016 (LBP 1,092 million as at December 31, 2015) represents income from commissions and banking services with customers.

### 23. Investement in an Associate

The Group invested, in prior years, 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 was treated as investment in an associate and not a subsidiary due to lack of control elements as per IFRS10.

On February 23, 2015 this associate was sold for LBP6.03billion (USD4million) whereby the Group's share amounted to LBP3.2billion (USD2.12million) resulting in a profit of LBP475million along with a write-back of provision amounting to LBP864million reflected in the statement of profit or loss and other comprehensive income.

### 24. Staff Costs

	2016 LBP'000	2015 LBP'000
Salaries and wages	6,231,858	5,897,543
Rewards	-	195,152
Social security contributions	922,152	905,805
Provision for employees' end-of-service indemnity (Note 17)	43,081	201,077
Additional compensation for resigned employees	995,120	-
Other staff costs	1,519,529	1,880,496
	<b>9,711,740</b>	<b>9,080,073</b>

Additional compensation for resigned employees represents the amounts paid during 2016 to 11 employees that were terminated by the Group.





## 25. General Operating Expenses

This caption consists of the following:

	2016 LBP'000	2015 LBP'000
Stamps	7,296	8,542
Taxes and fees	7,990	22,732
Fees paid to National Institution for Guarantee of Deposits	66,000	59,151
Rent	361,434	233,485
Electricity, fuel and building services	490,060	541,365
Legal, audit and consulting fees	443,740	493,251
Telephone, post and telecommunication	320,373	344,968
Maintenance and repairs	1,144,113	1,067,132
Travel expenses	151,401	165,460
Hospitality and entertainment	24,263	23,036
Insurance	220,307	211,761
Advertising and publicity	175,382	244,414
Stationary and printings	238,791	277,101
Subscriptions and patents	191,131	201,463
Training and development	289,498	278,598
Other legal expenses	41,605	62,269
Other expenses	217,977	216,091
Charges paid to parent company and board of directors allowances	440,349	411,064
Donations	4,371	8,140
Other Provisions (Note 17)	-	620,000
	<b>4,836,081</b>	<b>5,490,023</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 10.06 billion as at December 31, 2016 (LBP 12.92 billion as at December 31, 2015) include an amount of LBP 16.5 million to related as of December 31, 2016 and 2015.

Investments in securities amounting to LBP2.83billion at December 31, 2016 and 2015, represent what the customers invested in securities through the Group in previous years. To be noted that some of these investments are not listed and their fair values is null. In addition, Management expect to net these investments with corresponding 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 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:



	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
<b>Assets:</b>			
Deposits with the Central Bank of Lebanon	a	42,336,458	24,572,156
Deposits with banks and financial institutions	b	90,377,802	113,994,195
Financing facilities	c	134,183,764	128,868,822
Mudaraba with customers	d	9,290	110,343
Investment in securities	e	927	927
Investment in Sukuk at fair value through profit and loss	f	6,021,155	13,377,860
Investment properties	g	30,100,832	26,974,478
Customers' liabilities under acceptances	h	258,961	3,275,530
Other assets	i	286,929	341,799
Assets acquired in satisfaction of debts	j	645,529	320,188
Debit balance with the Group's own accounts	18	47,811,531	33,070,372
		<b>352,033,178</b>	<b>344,906,670</b>



	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
<b>Liabilities:</b>			
Customers' deposits and other credit balances - discretionary fiduciary accounts	k	341,522,086	330,564,694
Commitments under acceptances	h	258,961	3,275,530
Accrued liabilities and miscellaneous creditors	1	3,286,142	5,118,583
Provisions	m	6,933,355	5,942,923
Reserve for profit for distribution	n	32,634	4,940
		<b>352,033,178</b>	<b>344,906,670</b>

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

	December 31st	
	2016 LBP'000	2015 LBP'000
Current accounts - Non-income bearing	6,544,998	9,063,080
Commodity Murabaha	35,076,000	15,075,000
Accrued income receivable	715,460	434,076
	<b>42,336,458</b>	<b>24,572,156</b>

Return on Commodity Murabaha is paid on semi-annual basis. Returns for the year 2016 amounted to LBP 2.03 billion (LBP 1.12 billion in 2015) (Note 27 o).



Commodity Murabaha amounting to LBP 35.07 billion as at December 31, 2016 represent Murabaha transactions with Central Bank of Lebanon detailed executed by a resident commercial bank detailed as follows:

December 31, 2016						
	Murabaha Value		Total LBP'000	Date of Issuance	Maturity Date	Expected Total Return LBP'000
	LBP'000	USD				
(1)	20,001,000	-	20,001,000	April 15,2016	April 12,2019	3,943,530
(2)	-	10,000,000	15,075,000	August 12,2013	August 14,2023	11,169,821
	<b>20,001,000</b>	<b>10,000,000</b>	<b>35,076,000</b>			<b>15,113,351</b>

December 31, 2015				
	Murabaha Value USD	Date of Issuance	Maturity Date	Expected Total Return USD
	10,000,000	August 12,2013	August 14,2023	7,409,500
<b>Counter value in LBP</b>	<b>15,075,000,000</b>			<b>11,169,821,250</b>



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

	December 31st	
	2016 LBP'000	2015 LBP'000
Current accounts with financial institutions –non-income bearing	38	38
Current accounts with related party financial institutions - non-income bearing	37,955	547
Current accounts with commercial banks – non-income bearing	10,372,147	4,458,583
Deposits with resident commercial banks – Mudaraba	73,122,723	89,958,409
Deposits with resident commercial banks – Wakala	5,035,590	17,797,879
Accrued income receivable	1,809,349	1,778,739
	<b>90,377,802</b>	<b>113,994,195</b>

Deposits with resident commercial banks – Mudaraba mature as follows:

	December 31, 2016			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	2,026,340	5.07%	1,596,290	2.85%
Between 1 month and 3 months	15,746,256	5.89%	13,172,403	3.23%
Between 3 months and 6 months	9,400,273	6%	20,183,129	3.92%
2nd half of 2017	10,998,032	6.14%	-	-
	<b>38,170,901</b>		<b>34,951,822</b>	



	December 31, 2015			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	6,110,845	5.46%	3,015,000	3.85%
Between 1 month and 3 months	24,813,792	5.22%	22,740,030	3.84%
Between 3 months and 6 months	8,002,899	5.46%	17,823,240	3.81%
2nd half of 2016	7,452,603	5.62%	-	-
	<b>46,380,139</b>		<b>43,578,270</b>	

Deposits with resident commercial banks – Wakala mature as follows:

	December 31, 2016	
	LBP'000	Weighted Average Rate
Between 3 months and 6 months	2,848,771	6%
2nd half of 2017	2,186,819	6%
	<b>5,035,590</b>	

	December 31, 2015	
	LBP'000	Weighted Average Rate
Up to 1 month	9,307,578	4.75%
Between 1 month and 3 months	3,165,301	5.48%
Between 3 months and 6 months	4,200,000	5.48%
2nd half of 2016	1,125,000	5.48%
	<b>17,797,879</b>	



### (c) Financing Facilities:

	December 31st	
	2016 LBP'000	2015 LBP'000
Unpaid bills	3,927,165	2,876,363
Qard Hassan - Employees	42,436	48,803
Financing facilities - Retail	14,676,764	17,581,169
Short term facilities – Murabaha	27,391,575	29,910,844
Medium and long term facilities – Murabaha	83,224,292	61,739,021
Medium and long term facilities – Istisnaa	2,613,771	1,954,343
Medium and long term facilities – Mosawama	2,667,082	7,301,795
	134,543,085	121,412,338
Unearned income	(13,223,763)	(10,452,508)
Accrued interest receivable – Istisnaa	8,683,200	8,683,200
	130,002,522	119,643,030
Substandard debts	2,879,439	5,070,328
Doubtful debts	6,768,735	9,957,408
Unrealized income	(1,020,777)	(1,020,777)
	8,627,397	14,006,959
Provision for doubtful debts	(4,446,155)	(4,781,167)
	4,181,242	9,225,792
<b>Total</b>	<b>134,183,764</b>	<b>128,868,822</b>

Unpaid bills outstanding as at year end 2016 and 2015 mature as follows noting that most of them were still unpaid up to the date of the issuance of the financial statements.





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	December 31,	
	2016 LBP'000	2015 LBP'000
2006	97	97
2007	978	978
2008	472	3,999
2009	11,661	20,410
2010	48,245	57,003
2011	80,228	84,242
2012	76,626	87,342
2013	1,913,758	2,016,526
2014	484,207	1,215,487
2015	840,815	7,431,829
First quarter of 2016	332,957	-
Second quarter of 2016	621,357	-
Third quarter of 2016	469,319	-
Fourth quarter of 2016	1,908,346	-
	6,789,066	10,917,913
Less: Balances of customers classified by the credit classification committee	(2,861,901)	(8,041,550)
	<b>3,927,165</b>	<b>2,876,363</b>

Medium and long term facilities – Istisnaa as at December 31, 2016 and 2015 comprises the following:

	2016 LBP'000	2015 LBP'000
Sold apartments in the Vertini project – investment under construction	17,273,219	17,273,219
Less: Customer's advance payments on sold apartments	(17,971,671)	(17,412,576)
	(698,452)	(139,357)
Other customers	3,312,223	2,093,700
	<b>2,613,771</b>	<b>1,954,343</b>



## Vision and Mission

Following is the movement of sold apartments cost portion in Vertini project – investment under construction for the years 2016 and 2015:

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year	17,273,219	19,685,061
Transfer from investment property under construction (27 g)	-	(2,411,842)
<b>Balance, End of year</b>	<b>17,273,219</b>	<b>17,273,219</b>

The movement of unrealized income of doubtful financing facilities for the years 2016 and 2015 is as follows:

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year	1,020,777	1,030,821
Write offs	-	(10,044)
<b>Balance, End of year</b>	<b>1,020,777</b>	<b>1,020,777</b>

The movement of the provision for doubtful debts for the years 2016 and 2015 is as follows:

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year	4,781,167	4,999,559
Transfer (to)/from reserve for investment risks (Note 27 n)	(113,731)	214,613
Write-back of provision – (Note 27 o)	(220,578)	(391,898)
Write-off of provision for doubtful debts	(703)	(41,107)
<b>Balance, End of year</b>	<b>4,446,155</b>	<b>4,781,167</b>



## (d) Mudaraba With Customers:

This caption amounting to LBP 9.29 million as at December 31, 2016 (LBP 110 million as at December 31, 2015), 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	
	2016 LBP'000	2015 LBP'000
Investment in shares with broker MF Global Ltd - Unquoted	789,342	789,342
Provision for impairment	(788,415)	(788,415)
	<b>927</b>	<b>927</b>

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

Name	Cost	Nominal Value	Fair Value		Change in Fair Value	
			2016 LBP'000	2015 LBP'000	2016 LBP'000	2015 LBP'000
Qatar Islamic bank maturity in 2020	3,768,750	-	-	3,703,117	-	(65,633)
Al Baraka Bank Turkey matures in 2019	3,768,750	3,768,750	3,754,617	3,731,063	(14,133)	(37,687)
Sharjah Bank maturity in 2024	753,750	753,750	772,228	755,939	18,478	2,189
Sharjah Islamic Bank maturity in 2024	3,768,750	-	-	3,702,100	-	(66,650)
Dubai Islamic Bank maturity in 2020	1,507,500	1,507,500	1,494,310	1,485,641	(13,190)	(21,859)
	<b>13,567,500</b>	<b>6,030,000</b>	<b>6,021,155</b>	<b>13,377,860</b>	<b>(8,845)</b>	<b>(189,640)</b>

Return on Sukuk for the year 2016 amounted to LBP446.13million (LBP448million in 2015) reflected as income from Sukuk under the surplus of the year statement of fiduciary and investments accounts (Note 27 o).

During 2016, the Group sold Sukuk Wakala issued by Qatar Islamic Bank and Sharjah Islamic Bank resulting in a profit of approximately LBP59.8million reflected as income from Sukuk under the surplus of year in the statement of fiduciary and investments accounts (Note 27 o).

The change in fair value during 2016 and 2015 amounted to around LBP9million and LBP190million, respectively, and was transferred from the reserve for investment risks.



## Vision and Mission

Below is the fair value movement for the Sukuk for the year ended 2016 and 2015:

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year - (Credit)/Debit	(189,640)	237,657
Net transfer from/(to) the risk investment reserve (Note 27 m)	171,749	(264,751)
Reversal of change in fair value of sold Sukuk	-	(162,546)
Other movement	9,046	-
<b>Balance, Ending of year - Credit</b>	<b>(8,845)</b>	<b>(1898,640)</b>

### (g) Investment Properties Under Construction:

The Group' investment in Vertini real estate project under construction amounting to LBP 30.10 billion as at December 31, 2016 (LBP 26.97 billion as at December 31, 2015) represents the Group's share in the cost of the project.

The investment property (under construction) movement for the years 2016 and 2015:

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year	26,974,478	21,000,207
Additions (payments and retentions)	3,126,354	3,562,429
Transfer to the Istisnaa account (Note 27 c)	-	2,411,842
<b>Balance, Ending of year</b>	<b>30,100,832</b>	<b>26,974,478</b>

The transfer to Istisnaa account amounting LBP 2.41 billion in 2015 (Note 27 c) represents the cost portion of sold apartments returned from clients (3 equipments) during 2015.

It is to be noted that the project is esqeced to be completed by the end of May 2017 and 13 apartments out of 33 and two parking lots were sold up to the end of 2016.



## (h) Customers' Liabilities Under Acceptances:

This caption amounting to LBP 259 million as at December 31, 2016 (LBP 3.27 million as at December 31, 2015), 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	
	2016 LBP'000	2015 LBP'000
Accrued income receivable – Sukuk	13,052	63,630
Deferred charges on Commodity Murabaha with the Central Bank of Lebanon	37,216	42,869
Other receivables	236,661	235,300
	<b>(286,929)</b>	<b>(341,799)</b>

## (j) Assets Acquired In Satisfaction Of Debts:

This caption represents real estate acquired in satisfaction of debts granted to some customers amounting to LBP 645 million as at December 31, 2016 (LBP 320 million in 2015).



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

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

	December 31, 2016				December 31, 2015	
	Lebanese Pounds LBP'000	Counter Value of Currencies in LBP LBP'000	Total LBP'000	%	Total LBP'000	%
Current deposits	219,332	446,052	665,384		19,951	
Time deposits						
One month	762,193	3,196,215	3,958,408	1	8,365,119	2
Three months	2,345,538	11,336,912	13,682,450	4	15,408,430	5
Six months	47,750,690	161,991,510	209,742,200	64	198,289,219	62
One year	15,897,873	87,932,037	103,829,910	31	100,112,428	31
	<b>66,756,294</b>	<b>264,456,674</b>	<b>331,212,968</b>	<b>100</b>	<b>322,175,196</b>	<b>100</b>
Other credit balances:						
Margins against letters of credit	-	723,169	723,169	-	419,862	-
Margins against financing facilities	1,020,399	4,515,199	5,535,598	-	4,134,366	-
Margins against letters of guarantee	3,135,000	-	3,135,000	-	3,187,128	-
URIA deposits pending investment	114,367	135,600	249,967	-	628,191	-
	4,269,766	5,373,968	9,643,734	-	8,369,547	-
	<b>71,245,392</b>	<b>270,276,694</b>	<b>341,522,086</b>	<b>-</b>	<b>330,564,694</b>	<b>-</b>

Current accounts represent customer's net profit from their fiduciary deposits.

Customers' deposits include deposits for related parties in the amount of LBP 3.12 billion as at December 31, 2016 (LBP 3.2 billion as at December 31, 2015).



## (l) Accrued Liabilities and Miscellaneous Creditors:

	December 31st	
	2016 LBP'000	2015 LBP'000
Bankers checks – Al Baraka Bank	66,897	1,863,969
Sundry creditors	375,626	517,214
Taxes withheld from customers deposits	25,507	25,893
Accrued expense payable for customers' deposits	2,209,082	2,102,477
Provision for restricted investments in securities on behalf of customers	609,030	609,030
	<b>3,286,142</b>	<b>5,118,583</b>

## (m) Provisions:

	December 31st	
	2016 LBP'000	2015 LBP'000
Reserve for investment risks	6,231,355	4,920,923
Provision for financing facilities (Note 27 o)	702,000	1,022,000
	<b>6,933,355</b>	<b>5,942,923</b>

The reserve for investment risks 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.

By the end of 2015, and as per the Central Bank of Lebanon Circular #81, a provision amounting to LBP1.02billion was taken on the Group's 2014, 2015 and 2016 financing facilities granted, such that the provisions do not fall below 0.25%, 0.5% and 1% of the financing facilities portfolio for the years 2014, 2015 and 2016 respectively. In this connection, the amount of LBP320million was reversed to write-back of provisions account under surplus of the year, representing the surplus of provision for financing facilities mentioned above.



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

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year	4,920,923	4,472,179
Additions – (Note 27 o)	1,028,365	1,020,935
Transfer from/(to) provision for doubtful debts – (Note 27 c)	113,731	(214,613)
Transfer from/(to) investment in Sukuk at fair value through profit or loss – (Notes 9 and 27 f)	171,749	(295,391)
Other movement	-	(54,383)
Difference in exchange	(3,413)	(7,804)
<b>Balance, End of year</b>	<b>6,231,355</b>	<b>4,920,923</b>

### (n) 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:

	2016 LBP'000	2015 LBP'000
Balance, Beginning of year	4,940	70,953
Net additions/(transfers)	27,694	(66,013)
<b>Balance, End of year</b>	<b>32,634</b>	<b>4,940</b>





## (o) Surplus of the Year:

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

	Year Ended December 31st	
	2016 LBP'000	2015 LBP'000
<b>Investment Revenue:</b>		
Financing contracts	8,170,722	8,224,192
Commodity Mudaraba with Central Bank of Lebanon – (Note 27 a)	2,029,580	1,118,492
Deposits with banks and financial institutions	4,028,101	4,935,724
Net income from Sukuk (Note 27 f)	505,931	501,518
Net commissions, fees and other revenues	1,300,329	2,003,771
	16,214,663	16,783,697
Cost of funds	-	(2,558)
	16,214,663	16,781,139
Gain on sale of acquired assets	-	231,725
Write-back of provisions (Note 27 m)	320,000	-
Write-back of provision for doubtful debts – (Note 27 c)	220,578	391,898
Reserve for investment risks – (Note 27 m)	(1,028,365)	(1,020,935)
Provision for financing facilities (Note 27 m)	-	(1,022,000)
<b>Profit for the year</b>	<b>15,726,876</b>	<b>15,361,827</b>
<b>Allocation of Profit For The Year:</b>		
Customer's share	8,209,279	8,092,800
Group's share from income of unrestricted fiduciary and investment agreements	7,517,597	7,269,027
	<b>15,726,876</b>	<b>15,361,827</b>



## 28. Statement of Restricted Fiduciary And Investment Agreement

	Notes	December 31st	
		2016 LBP'000	2015 LBP'000
<b>Assets:</b>			
Deposits with the Central Bank of Lebanon	a	16,820,275	16,817,603
Deposits with banks and financial institutions	b	6,819,479	9,823,097
Financing facilities	c	11,038,781	15,235,428
		<b>34,678,535</b>	<b>41,876,128</b>
<b>Liabilities:</b>			
Reverse Wakala with banks	d	9,133,615	38,590,775
Credit balance with Group's own accounts	13	25,544,920	3,285,353
		<b>34,678,535</b>	<b>41,876,128</b>
Net income from restricted fiduciary and investments agreements		<b>1,492,153</b>	<b>1,377,215</b>

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

Commodity Murabaha amounting LBP16.82billion as at December 31, 2016 and 2015 represents a Murabaha transaction with the Central Bank of Lebanon executed by a resident commercial bank issued on April 4, 2014 and matures on April 4, 2019.

### b. Deposits With Banks And Financial Institutions:

Deposits with banks and financial institutions as at December 31, 2016 amounted LBP 6,82 billion (LBP 9.82 billion as of December 31, 2015) are denominated in foreign currencies.

Deposits with banks and financial institutions - mature as follows:

	December 31, 2016		December 31, 2015	
	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	1.75%
Between six and one year	6,819,479	2.67%	-	-
More than a year	-	-	6,808,097	2.50%
	<b>6,819,479</b>		<b>9,823,097</b>	

### c. Financing Facilities:

	December 31st	
	2016 LBP'000	2015 LBP'000
Unpaid bills	244,214	-
Medium term facilities – Murabaha	10,794,567	15,235,428
	<b>11,038,781</b>	<b>15,235,428</b>

Financing facilities as at December 31, 2016 amounting to LBP11.03billion (LBP15.23billion as at December 31, 2015) are denominated in foreign currencies and are granted to customers outside the Lebanese territories in return for bank guarantees from a sister bank.



## d. Reverse Wakala With Banks:

	December 31st	
	2016 LBP'000	2015 LBP'000
Current accounts with related party banks	227,357	16,922,053
Reserve Wakala with commercial banks	-	7,914,375
Reverse Wakala with related party banks	8,695,207	13,332,247
Reverse Mudaraba with related party banks	211,051	422,100
	<b>9,133,615</b>	<b>38,590,775</b>

Reverse Wakala and Mudaraba mature as follows:

	December 31, 2016		December 31, 2015	
	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	-	-	9,840,788	1.5%
Between one and three months	-	-	2,638,125	1.6%
Between six-month and one year	211,051	3.08%	422,100	3.8%
More than a year	8,695,207	4.8%	8,767,709	4.8%
	<b>8,906,258</b>		<b>21,668,722</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:

	December 31st	
	2016 LBP'000	2015 LBP'000
<b>Group's Own Accounts:</b>		
Deposits with banks and financial institutions (Note 6)	4,153,683	4,071,294
Due from parent company (Note 10)	18,338	40,517
Deposits from banks (Note 14)	3,109,311	3,651,961
Customers' deposits and other credit balances (Note 15)	1,062,510	1,202,461
Shareholder's cash contribution to capital (Note 19)	4,238,342	4,238,342
<b>Unrestricted Fiduciary And Investment Accounts:</b>		
Current account with related party financial institution (Note 27 b)	37,955	547
Financing facilities - board member (Note 27 c)	166,550	265,737
Investment in Sukuk (Note 27 f)	3,754,617	3,731,063
Customers' deposits – fiduciary accounts (Note 27 k)	3,121,579	3,235,382
<b>Restricted Fiduciary And Investment Accounts:</b>		
Deposits with banks (Note 28 b)	6,819,479	9,823,097
Reverse Wakala and Mudaraba with banks (Note 28 d)	8,906,258	13,754,347
Current accounts with banks (Note 28 d)	227,357	16,922,053
<b>Financial Instruments With Off-Balance Sheet Risks:</b>		
Issued guarantees (Note 26)	16,582	16,582

Salaries of senior executive management (general manager, his deputy and assistant) of the Group amounted to LBP1.34billion for the year 2016 (LBP1.17billion for the year 2015). In addition, Board of Directors members attendance remuneration amounted to LBP347million for the year 2016 (LBP332million for the year 2015). Moreover, legal fees paid to one of the Bank's lawyers (a board member) amounted to LBP149million for the year 2016 (LBP149million for 2015).



## 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 5) and time deposits with banks and financial institutions (Note 6) bearing maturities less than 90 days.

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

	December 31st	
	2016 LBP'000	2015 LBP'000
Cash on hand	3,808,131	5,821,564
Demand deposits with Central Bank of Lebanon	3,613,498	24,815,886
Compulsory reserve	6,030,000	-
Time deposit with Central Bank of Lebanon (maturing in less than 3 months)	-	51,533,280
Current accounts with banks and related parties	10,884,664	9,405,699
Checks for collection	1,883,150	2,219,573
	<b>26,219,443</b>	<b>93,796,002</b>

The following non-cash transactions were excluded from the statement of cash flows:

Increase in intangible assets were netted off against the decrease in property and equipment under investing activities in the amount of LBP835million being a non-cash transaction.

In addition, the decrease in cash contribution to capital was netted off against the accumulated losses under investing activities in the amount of LBP2.28billion being a non-cash transaction.

### 31. Fair Value

The following table shows the book and fair value of financial assets and liabilities recognized in the financial statements as of December 31, 2016, including the fair value levels. The table below does not include financial assets and liabilities that are not measured at fair value and considered, according to the Group's management, that their book value matches its fair value due to its contractual entitlements of short-term:

	Notes	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 at fair value through profit and loss						
Financial assets at fair value through other comprehensive income	8	394,049	437,024	-	-	437,024
Financial assets carried at amortized cost						
Commodity Murabaha with Central Bank	5	22,612,500	-	-	22,612,500	22,612,500
<b>Unrestricted fiduciary and investment accounts:</b>						
Financial assets at fair value through profit and loss						
Investments in Sukuk	27f	6,030,000	6,021,155	-	-	6,021,155
Financial assets carried at amortized cost						
Commodity Murabaha with Central Bank	27a	35,076,000	-	-	35,076,000	35,076,000

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



The following table shows the book values and fair values of financial assets and liabilities recognized in the financial statements as of December 31, 2015, including the fair value levels. The table below does not include financial assets and liabilities that are not measured at fair value and is considered according to the Group's management book value a reasonable fair value due to contractual entitlements of short-term:

	Notes	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 at fair value through profit and loss						
Financial assets at fair value through other comprehensive income	8	166,240	434,000	-	-	434,000
Financial assets carried at amortized cost						
Commodity Murabaha with Central Bank	5	22,612,500	-	-	22,612,500	22,612,500
<b>Unrestricted fiduciary and investment accounts:</b>						
Financial assets at fair value through profit and loss						
Investments in Sukuk	27f	13,567,500	13,377,861	-	-	13,377,861
Financial assets carried at amortized cost						
Commodity Murabaha with Central Bank	27a	15,075,000	-	-	15,075,000	15,075,000



## 32. Fair Value and Risk Management

### (a) 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, 2016				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	America and others LBP'000	Total LBP'000
Cash and central bank	101,732,558	-	-	-	101,732,558
Deposits with banks and financial institutions	3,912,684	5,658,173	2,784,966	1,949,051	14,304,874
Financing facilities	3,140,468	4,071	-	-	3,144,539
Investment in securities	436,097	-	-	-	436,097
Other assets	5,863,149	23,612	-	-	5,886,761
Property and equipment	20,806,038	-	-	-	20,806,038
Intangible assets	1,199,553	-	-	-	1,199,553
Debit balances with fiduciary and investment accounts	25,544,920	-	-	-	25,544,920
<b>Total Assets:</b>	<b>162,635,467</b>	<b>5,685,856</b>	<b>2,784,966</b>	<b>1,949,051</b>	<b>173,055,340</b>
Deposits from banks	20,048	3,877,570	-	-	3,897,618
Customer's deposits and other credit balances	80,595,598	2,248,973	113,206	263,756	83,221,533
Accounts payable and miscellaneous creditors	1,969,032	-	-	-	1,969,032
Provisions	2,747,549	-	-	-	2,747,549
Credit balances with unrestricted fiduciary and investment accounts	47,811,531	-	-	-	47,811,531
<b>Total Liabilities:</b>	<b>133,143,758</b>	<b>6,126,543</b>	<b>113,206</b>	<b>263,756</b>	<b>139,647,263</b>



	December 31, 2015				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	America and others LBP'000	Total LBP'000
Cash and central bank	121,837,988	-	-	-	121,837,988
Deposits with banks and financial institutions	11,415,010	3,150,611	4,041,924	906,442	19,513,987
Financing facilities	2,110,028	6,444	-	-	2,116,472
Investment in securities	166,240	-	-	-	166,240
Other assets	5,579,771	49,692	-	-	5,629,463
Property and equipment	21,285,322	-	-	-	21,285,322
Intangible assets	1,267,745	-	-	-	1,267,745
Debit balances with fiduciary and investment accounts	3,285,353	-	-	-	3,285,353
<b>Total Assets:</b>	<b>166,947,457</b>	<b>3,206,747</b>	<b>4,041,924</b>	<b>906,442</b>	<b>175,102,570</b>
Deposits from banks	20,048	7,416,089	927,323	-	8,363,460
Customer's deposits and other credit balances	86,385,004	4,497,347	477,983	-	91,360,334
Accounts payable and miscellaneous creditors	2,693,336	-	-	-	2,693,336
Provisions	2,845,996	-	-	-	2,845,996
Credit balances with unrestricted fiduciary and investment accounts	33,070,372	-	-	-	33,070,372
<b>Total Liabilities:</b>	<b>125,014,756</b>	<b>11,913,436</b>	<b>1,405,306</b>	<b>-</b>	<b>138,333,498</b>

**Allocation of Group's unrestricted fiduciary and investment accounts assets and liabilities by geographical area:**

	December 31, 2016				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	America and others LBP'000	Total LBP'000
Deposits with the central bank	42,336,458	-	-	-	42,336,458
Deposits with banks and financial institutions	79,968,870	37,955	119,297	10,251,680	90,377,802
Financing facilities	101,601,686	32,582,078	-	-	134,183,764
Mudaraba with customers	9,290	-	-	-	9,290
Investment in securities	927	-	-	-	927
Investment in Sukuk at fair value through profit or loss	-	6,021,155	-	-	6,021,155
Investment Properties	30,100,832	-	-	-	30,100,832
Customer's liabilities under acceptances	-	258,961	-	-	258,961
Other assets	38,577	-	235,300	13,052	286,929
Assets acquired in satisfaction of debts	645,529	-	-	-	645,529
Debit balances with the Group's own accounts	47,811,531	-	-	-	47,811,531
<b>Total Assets:</b>	<b>302,513,700</b>	<b>38,900,149</b>	<b>354,597</b>	<b>10,264,732</b>	<b>352,033,178</b>
Customer's deposits and other credit balances	326,750,091	12,605,059	1,104,414	1,062,522	341,522,086
Commitments under acceptances	-	258,961	-	-	258,961
Accrued liabilities and miscellaneous Creditors	3,286,142	-	-	-	3,286,142
Provisions	6,933,355	-	-	-	6,933,355
Reserve for profit distribution	32,634	-	-	-	32,634
<b>Total Liabilities:</b>	<b>337,002,222</b>	<b>12,864,020</b>	<b>1,104,414</b>	<b>1,062,522</b>	<b>352,033,178</b>



	December 31, 2015				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	America and others LBP'000	Total LBP'000
Deposits with the central bank	24,572,156	-	-	-	24,572,156
Deposits with banks and financial institutions	109,535,745	-	2,193,547	2,264,903	113,994,195
Financing facilities	99,867,971	3,734,782	25,266,069	-	128,868,822
Mudaraba with customers	110,343	-	-	-	110,343
Investment in securities	-	-	927	-	927
Investment in Sukuk at fair value through profit or loss	-	9,646,798	3,731,062	-	13,377,860
Investment Properties	26,974,478	-	-	-	26,974,478
Customer's liabilities under acceptances	3,275,530	-	-	-	3,275,530
Other assets	278,170	-	-	63,629	341,799
Assets acquired in satisfaction of debts	320,188	-	-	-	320,188
Debit balances with the Group's own accounts	33,070,372	-	-	-	33,070,372
<b>Total Assets:</b>	<b>298,004,953</b>	<b>13,381,580</b>	<b>31,191,605</b>	<b>2,328,532</b>	<b>344,906,670</b>
Customer's deposits and other credit balances	317,097,498	11,146,825	1,335,573	984,798	330,564,694
Commitments under acceptances	2,612,499	219,013	444,018	-	3,275,530
Accrued liabilities and miscellaneous Creditors	5,111,154	7,429	-	-	5,118,583
Provisions	5,942,923	-	-	-	5,942,923
Reserve for profit distribution	4,940	-	-	-	4,940
<b>Total Liabilities:</b>	<b>330,769,014</b>	<b>11,373,267</b>	<b>1,779,591</b>	<b>984,798</b>	<b>344,906,670</b>



## Allocation of the Group's Restricted Fiduciary and investments accounts assets and liabilities by geographical area:

	December 31, 2016			
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	Total LBP'000
Deposits with the central bank	16,820,275	-	-	16,820,275
Deposits with banks and financial institutions	-	6,819,479	-	6,819,479
Financing facilities	474,574	10,564,207	-	11,038,781
<b>Total Assets:</b>	<b>17,294,849</b>	<b>17,383,686</b>	<b>-</b>	<b>34,678,535</b>
Reverse Wakala with banks	-	9,133,615	-	9,133,615
Credit balance with Group's own accounts	25,544,920	-	-	25,544,920
<b>Total Liabilities:</b>	<b>25,544,920</b>	<b>9,133,615</b>	<b>-</b>	<b>34,678,535</b>

	December 31, 2015			
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	Total LBP'000
Deposits with the central bank	16,817,603	-	-	16,817,603
Deposits with banks and financial institutions	24,347	6,783,750	3,015,000	9,823,097
Financing facilities	453,078	-	14,782,350	15,235,428
<b>Total Assets:</b>	<b>17,295,028</b>	<b>6,783,750</b>	<b>17,797,350</b>	<b>41,876,128</b>
Reverse Wakala with banks	8,089,334	30,501,441	-	38,590,775
Credit balance with Group's own accounts	3,285,353	-	-	3,285,353
<b>Total Liabilities:</b>	<b>11,374,687</b>	<b>30,501,441</b>	<b>-</b>	<b>41,876,128</b>



## (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.

## (c) Currency risk:

The Group 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.

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

	December 31, 2016					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>						
Cash and central bank	21,871,194	78,551,936	1,293,236	16,192	-	101,732,558
Deposits with banks and financial institutions	1,794,444	7,933,909	3,284,091	205,500	1,086,930	14,304,874
Financing facilities	1,356,340	1,788,199	-	-	-	3,144,539
Investment in securities	-	436,097	-	-	-	436,097
Other assets	4,056,205	1,807,833	22,723	-	-	5,886,761
Property and equipment	7,152,966	13,653,072	-	-	-	20,806,038
Intangible Assets	1,199,553	-	-	-	-	1,199,553
Debit balances with fiduciary and investment accounts	-	25,544,920	-	-	-	25,544,920
	<b>37,430,702</b>	<b>129,715,966</b>	<b>4,600,050</b>	<b>221,692</b>	<b>1,086,930</b>	<b>173,055,340</b>
<b>LIABILITIES</b>						
Deposits from banks	5,231	1,372,361	1,525,394	84,310	910,322	3,897,618
Customers' deposits and other credit balances	22,255,437	56,776,899	3,987,680	107,310	94,207	83,221,533
Accounts payables and miscellaneous creditors	(10,685,365)	12,461,107	97,554	30,072	65,664	1,969,032
Provisions	2,574,864	172,685	-	-	-	2,747,549
Credit balances with unrestricted fiduciary and investments accounts	(1,032,307)	49,837,679	(1,010,578)	-	16,737	47,811,531
	<b>13,117,860</b>	<b>120,620,731</b>	<b>4,600,050</b>	<b>221,692</b>	<b>1,086,930</b>	<b>139,647,263</b>
<b>Net Currency Exposure</b>	<b>24,312,842</b>	<b>9,095,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,408,077</b>

	December 31, 2015					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>						
Cash and central bank	25,045,744	73,321,622	22,945,355	525,267	-	121,837,988
Deposits with banks and financial institutions	8,060,297	4,980,171	4,403,643	229,352	1,840,524	19,513,987
Financing facilities	323,348	1,793,124	-	-	-	2,116,472
Investment in securities	-	166,240	-	-	-	166,240
Other assets	3,735,244	1,873,383	20,836	-	-	5,629,463
Property and equipment	6,362,359	14,922,963	-	-	-	21,285,322
Intangible Assets	1,267,745	-	-	-	-	1,267,745
Debit balances with fiduciary and investment accounts	-	19,751,753	(16,466,400)	-	-	3,285,353
	<b>44,794,737</b>	<b>116,809,256</b>	<b>10,903,434</b>	<b>754,619</b>	<b>1,840,524</b>	<b>175,102,570</b>
<b>LIABILITIES</b>						
Deposits from banks	5,231	2,535,711	5,338,382	101,409	382,727	8,363,460
Customers' deposits and other credit balances	24,971,218	59,784,100	5,069,074	142,384	1,393,558	91,360,334
Accounts payables and miscellaneous creditors	(10,572,191)	12,664,495	42,704	510,826	47,502	2,693,336
Provisions	2,799,922	46,074	-	-	-	2,845,996
Credit balances with unrestricted fiduciary and investments accounts	141,048	32,459,313	453,274	-	16,737	33,070,372
	<b>17,345,228</b>	<b>107,489,693</b>	<b>10,903,434</b>	<b>754,619</b>	<b>1,840,524</b>	<b>138,333,498</b>
<b>Net Currency Exposure</b>	<b>27,449,509</b>	<b>9,319,563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,769,072</b>



## Allocation of the Group's unrestricted fiduciary and investment accounts assets and liabilities by currency:

	December 31, 2016				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>					
Deposits with the central bank	20,491,626	21,844,832	-	-	42,336,458
Deposits with banks and financial institutions	44,850,713	33,027,327	12,499,762	-	90,377,802
Financing facilities	6,263,332	127,235,038	685,394	-	134,183,764
Mudaraba with customers	-	-	9,290	-	9,290
Investment in securities	-	927	-	-	927
Investment in Sukuk at fair value through profit or loss	-	6,021,155	-	-	6,021,155
Investment in properties	3,138,154	26,962,678	-	-	30,100,832
Customers' Liabilities under acceptances	-	158,758	100,203	-	258,961
Other assets	351	286,578	-	-	286,929
Assets acquired in satisfaction of debts	(15,816)	661,345	-	-	645,529
Debit balances with fiduciary and investment accounts	(1,032,306)	49,837,679	(1,010,579)	16,737	47,811,531
	<b>73,696,054</b>	<b>266,036,317</b>	<b>12,284,070</b>	<b>16,737</b>	<b>352,033,178</b>
<b>LIABILITIES</b>					
Customers deposits and other credit balances	71,245,392	258,225,715	12,050,979	-	341,522,086
Commitments under acceptances	-	158,758	100,203	-	258,961
Accrued Liabilities and miscellaneous creditors	855,580	2,398,645	31,917	-	3,286,142
Provisions	1,565,082	5,253,199	98,337	16,737	6,933,355
Reserve for profit distribution	30,000	-	2,634	-	32,634
	<b>73,696,054</b>	<b>266,036,317</b>	<b>12,284,070</b>	<b>16,737</b>	<b>352,033,178</b>



	December 31, 2015				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Others LBP'000	Total LBP'000
<b>ASSETS</b>					
Deposits with the central bank	544,863	24,027,293	-	-	24,572,156
Deposits with banks and financial institutions	65,744,927	36,975,045	11,274,223	-	113,994,195
Financing facilities	6,824,712	120,267,489	1,776,621	-	128,868,822
Mudaraba with customers	-	88,821	21,522	-	110,343
Investment in securities	-	927	-	-	927
Investment in Sukuk at fair value through profit or loss	-	13,377,860	-	-	13,377,860
Investment in properties	2,985,402	23,989,076	-	-	26,974,478
Customers' Liabilities under acceptances	-	1,000,545	2,274,985	-	3,275,530
Other assets	-	341,799	-	-	341,799
Assets acquired in satisfaction of debts	(15,816)	336,004	-	-	320,188
Debit balances with Group's own accounts	141,048	32,459,313	453,274	16,737	33,070,372
	<b>76,225,136</b>	<b>252,864,172</b>	<b>15,800,625</b>	<b>16,737</b>	<b>344,906,670</b>
<b>LIABILITIES</b>					
Customers deposits and other credit balances	73,466,408	243,726,697	13,371,589	-	330,564,694
Commitments under acceptances	-	1,000,545	2,274,985	-	3,275,530
Accrued Liabilities and miscellaneous creditors	987,962	4,066,530	64,091	-	5,118,583
Provisions	1,770,766	4,070,400	85,020	16,737	5,942,923
Reserve for profit distribution	-	-	4,940	-	4,940
	<b>76,225,136</b>	<b>252,864,172</b>	<b>15,800,625</b>	<b>16,737</b>	<b>344,906,670</b>



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

Assets and Liabilities of restricted fiduciary and investment accounts for the year 2016 are all in U.S. dollars.

	December 31, 2015		
	USD LBP'000	EUR LBP'000	Total LBP'000
<b>ASSETS</b>			
Deposits with the central bank	16,817,603	-	16,817,603
Deposits with banks and financial institutions	9,823,097	-	9,823,097
Financing facilities	15,235,428	-	15,235,428
	<b>41,876,128</b>	<b>-</b>	<b>41,876,128</b>
<b>LIABILITIES</b>			
Reverse Wakala with banks	22,124,375	16,466,400	38,590,775
Credit balance with the Group's own accounts	19,751,753	(16,466,400)	3,285,353
	<b>41,876,128</b>	<b>-</b>	<b>41,876,128</b>



## (d) 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.

Financial liability in the Group's own accounts of financial liability for the year 2016 and 2015 mature in a period of three months.

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

	December 31, 2016		
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000
<b>LIABILITIES</b>			
Customer deposits and other credit balances	146,590,075	194,932,011	341,522,086

	December 31, 2015		
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000
<b>LIABILITIES</b>			
Customer deposits and other credit balances	139,320,615	191,244,079	330,564,694



## Vision and Mission

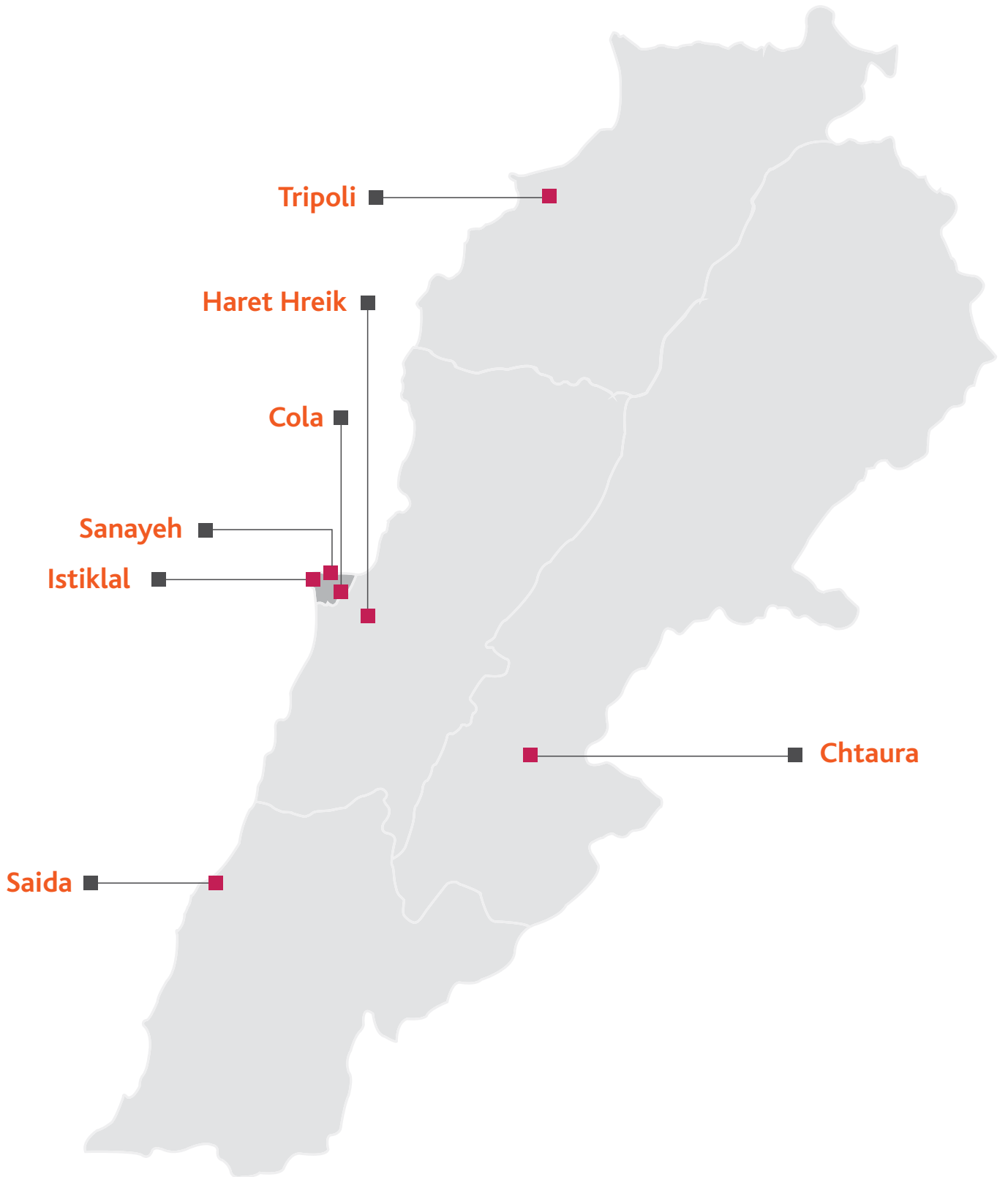
Allocation of the financial liabilities in the restricted and investments accounts according to their maturities:

	December 31, 2016		
	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	329,814	8,803,801	9,133,615

	December 31, 2015		
	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	29,575,925	9,014,850	38,590,775

### 33. Approval of The Financial Statements

The consolidated financial statements for the year ended December 31, 2016 were approved by the Board of Directors in its meeting held on April 29, 2017.





## Sanayeh - Head office

Justinian Street,  
Bac Center, 12<sup>th</sup> Floor  
T: +961 1 748061/2/4/5  
F: +961 1 748068  
P.O.Box: 113 5683



## Sanayeh - Main Branch

Justinian Street,  
Bac Center, 4<sup>th</sup> Floor  
**Branch Manager:** Mr. Nayef Fawaz  
T: +961 1 748061/2/4/5  
F: +961 1 748068  
P.O.Box: 113 5683



## Saida Branch

Al Nijmeh Square Area,  
Houssam Al Deen Al Hariri Street  
Golden Tower Building  
1<sup>ST</sup> Floor  
**Branch Manager:** Mr. Bilal Akoum  
T: +961 7 754477/8/9  
F: +961 7 754488



## Tripoli Branch

Al Tal Area, Boulevard Fouad Chehab,  
Kahtan Mikati Building  
**Branch Manager:** Mrs. Raghida Kabbara  
T: +961 6 447911/2/3  
F: +961 6 447861



### Haret Hreik Branch

Ahmad Kassir Street,  
Al Sawli Center Building,  
Ground Floor  
**Branch Manager:** Mr. Assem Al Mokdad  
T: +961 1 543672/3/4  
F: +961 1 543672



### Chtaura Branch

Damascus Main Road,  
Haddad Building,  
Ground Floor  
**Branch Manager:** Mr. Rabih Taktak  
T: +961 8 546151/2  
F: +961 8 546153



### Istiklal Branch

Zaydaniye, Istiklal Street  
Al Mousalli Building,  
Ground Floor  
**Branch Manager:** Mr. Samer Jabr  
T: +961 1 742601/2/3  
F: +961 1 742601



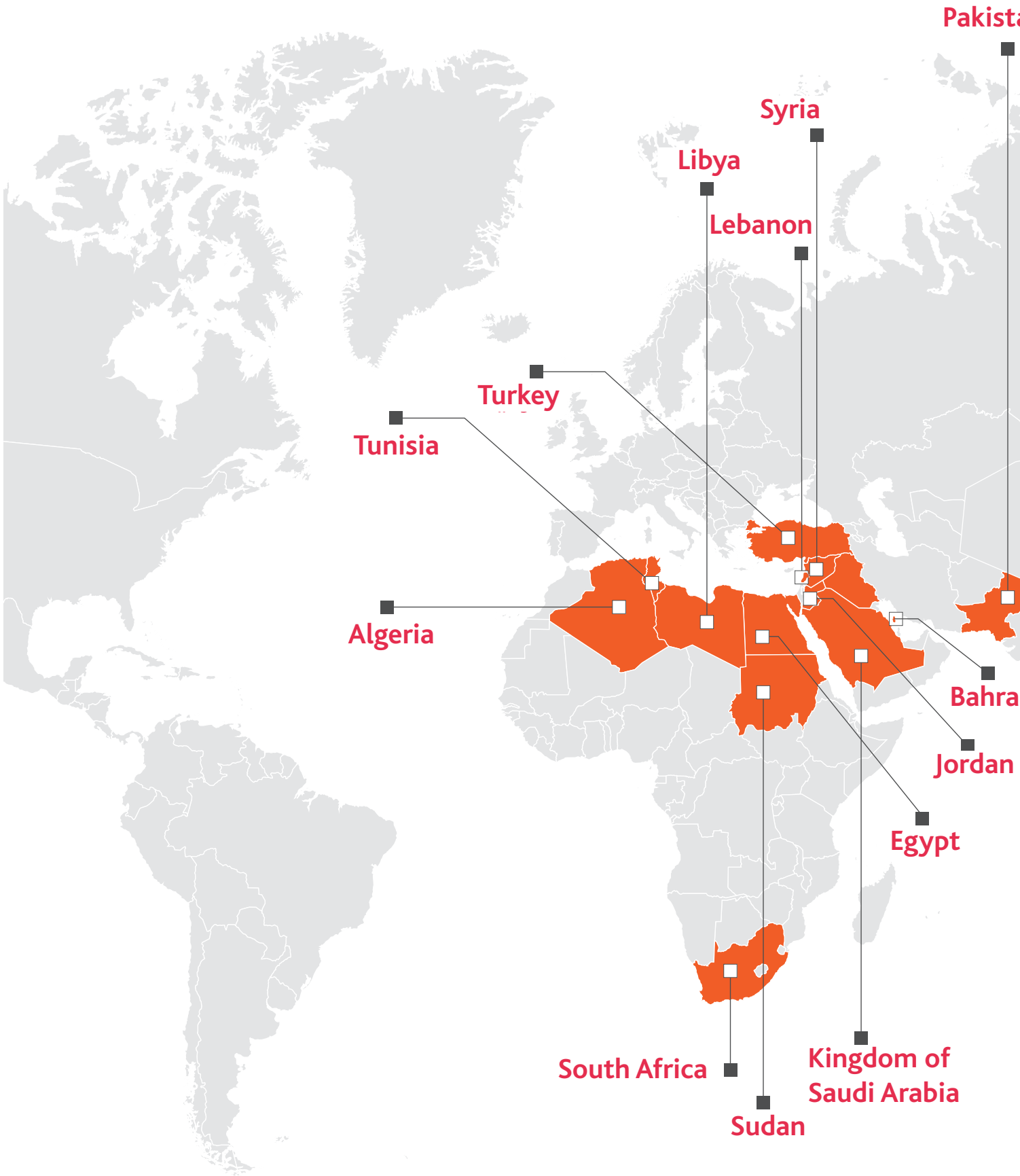
### Cola Branch

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



### ATM's:

**Abou Samra:** Al Iman School  
**Dar Al Shifaa Hospital:** Al Manar Road,  
Tripoli  
**Al Abdeh:** Akkar Main Road, Mahames Al  
Amin Building  
**Aramoun:** Main Road





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in

Indonesia



## 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 97 branches.

#### **Mr. Musa Shihadeh**

CEO - General Manager

P.O. Box 926225 Amman 11190 Jordan

T: +9626 567 7377

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 acquired Al Burj Bank in 2016. The Bank now offers its banking services through its 224 branches.

#### **Mr. Shafqaat Ahmed**

Board Member & CEO

Al Baraka House

162 Bangalore Town

Main Shahrah-e-Faisal Karachi, Pakistan

T: +92 21 34307000

F: +92 21 34530981

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

## Indonesia

### Al Baraka Banking Group Representative Office, Indonesia

Founded 2008

While Indonesia's economy is still growing fast by the standards of most countries, it has slowed significantly in recent years. China's slowdown, and the related slide in commodity prices, hit the economy hard. Yet the IMF has forecast growth for 2016 at 5%, supported by domestic consumption.

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.

#### **Ms. Nurul Bariah**

Chief Representative

Ravindo Building,  
10th Floor Jalan Kebon Sirih,  
No. 75 Jakarta Pusat 10340 Indonesia  
T: +62 21 316 1345  
F: +62 21 316 1074  
[www.albaraka.com](http://www.albaraka.com)



## 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 8 branches in Bahrain.

#### Mr. Mohammed Al Mutaweh

Board Member & CEO

Al Baraka Headquarters - Bahrain Bay

P.O. Box 1882

Manama, Kingdom of Bahrain

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 213 branches.

#### Mr. Meliksah Utku

Acting General Manager

Saray Mahallesi

Dr. Adnan Büyükdeniz Caddesi,

No. 6 34768 Ümraniye, Istanbul

T: +90 216 666 01 01

F: +90 216 666 16 00

[www.albarakaturk.com.tr](http://www.albarakaturk.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 to Shari'a principles. The bank operates 34 branches across Tunisia.

#### Mr. Fraj Zaag

Board Member & General Manager

88, Avenue Hedi Chaker 1002,  
T: +216 71 186 500 | +216 71 186 600  
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

Protracted political standoff, coupled with lower international oil prices, have hit Libya's public finances and GDP hard in recent years, including 2016. The economic and social outlook depends on the restoration of lasting stability, as well as programmes to rebuild economic and social infrastructures.

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 30 branches.

#### Mr. Mohamed Seddik Hafid

Board Member & General Manager

Hai Bouteldja Houidef, Villa No. 1 Rocade Sud,  
Ben Aknoun, Algiers  
T: +213 23 38 12 73  
F: +213 23 38 12 76 /77  
[www.albaraka-bank.com](http://www.albaraka-bank.com)

## South Africa

### Al Baraka Bank Limited - South Africa

Al Baraka Bank Limited was established in 1989 and operates as a commercial islamic bank, with a total of 12 branches.

#### Mr. Shabir Chohan

Board Member & CEO

2 Kingsmead Boulevard, Kingsmead Office Park  
Stalwart Simelane Street, P.O. Box 4395 Durban 4000  
T: +2731 364 9000  
F: +2731 364 9001  
[www.albaraka.co.za](http://www.albaraka.co.za)

## 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 27 branches.

#### Mr. Abdullah Khairy Hamid

General Manager

Al Baraka Tower  
P.O. Box 3583  
Qasr ST Khartoum Sudan  
T: +249187 112 000  
F: +249183 788 585  
[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 13 branches spread across the major cities in Syria.

#### Mr. Mohammed Halabi

Chief Executive Officer

Alshahbender Street  
P.O. Box 100 Damascus  
T: +963 11 443 78 20  
F: +963 11 443 78 10  
[www.albarakasyria.com](http://www.albarakasyria.com)



## Egypt

### Al Baraka Bank Egypt

Al Baraka Bank Egypt commenced its activities in accordance with Shari'a principles over 26 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 31 branches.

#### **Mr. Ashraf El Ghamrawy**

Vice Chairman & CEO

60, Mohie Eddin 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**

Managing Director & CEO

The Headquarter business park - Wesr Tower / 15<sup>th</sup> Floor, Corniche Road

P.O. Box 8021, Jeddah 21482

Kingdom Saudi Arabia

T: +966 12 510 6030

F: +966 12 510 6033

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





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

P.O.Box: 113 5683

Sanayeh, Justinian Street,  
Bac Center, 12<sup>th</sup> Floor

T: +961 1 748062/3/4/5

F: +961 1 748068

al-baraka.com