

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2014 (REVIEWED)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AL BARAKA BANKING GROUP B.S.C.**

### ***Introduction***

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Banking Group B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 30 June 2014, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders / sukuk holders for the six-month period then ended and explanatory notes. The Board of Directors and management are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.




10 August 2014  
Manama, Kingdom of Bahrain


# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 (Reviewed)

|  |       | <i>Audited</i>               |
|--|-------|------------------------------|
|  |       | 30 June 31 December          |
|  |       | 2014 2013                    |
|  | Notes | US\$ '000 US\$ '000          |
| <b>ASSETS</b>  |       |                              |
| Cash and balances with banks   |       | 5,103,599 4,797,487          |
| Receivables  | 3     | 11,225,128 10,818,219        |
| Mudaraba and Musharaka financing   | 4     | 1,267,512 1,192,125          |
| Investments  | 5     | 2,529,824 2,402,830          |
| Ijarah Muntahia Bittamleek   |       | 1,127,143 942,048            |
| Property and equipment   |       | 356,693 405,880              |
| Other assets   | 6     | 468,190 408,970              |
| <b>TOTAL ASSETS</b>  |       | <b>22,078,089 20,967,559</b> |
| <b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>       |       |                              |
| <b>LIABILITIES</b>   |       |                              |
| Customer current and other accounts  |       | 4,328,707 4,249,181          |
| Due to banks   |       | 983,078 1,095,868            |
| Long term financing  | 9     | 657,834 540,680              |
| Other liabilities  | 7     | 819,035 698,999              |
| <b>Total liabilities</b>   |       | <b>6,788,654 6,584,728</b>   |
| <b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>                                       |       | <b>13,253,543 12,399,444</b> |
| <b>OWNERS' EQUITY</b>  |       |                              |
| Share capital  | 12    | 1,093,869 1,048,291          |
| Treasury shares  |       | (8,457) (8,123)              |
| Share premium  |       | 17,344 16,753                |
| Reserves   |       | 129,085 131,684              |
| Cumulative changes in fair values  |       | (1,956) (2,380)              |
| Foreign currency translations  |       | (239,252) (232,928)          |
| Retained earnings  |       | 343,545 263,086              |
| Proposed appropriations  | 12    | - 82,268                     |
| <b>Equity attributable to parent's shareholders</b>                              |       | <b>1,334,178 1,298,651</b>   |
| Non-controlling interest   |       | 701,714 684,736              |
| <b>Total owners' equity</b>  |       | <b>2,035,892 1,983,387</b>   |
| <b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b> |       | <b>22,078,089 20,967,559</b> |

  
 Saleh Abdullah Kamel  
 Chairman

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

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2014 (Reviewed)

|  | <i>Three months ended</i> |                  | <i>Six months ended</i> |                  |
|--|---------------------------|------------------|-------------------------|------------------|
|  | <i>30 June</i>            | <i>30 June</i>   | <i>30 June</i>          | <i>30 June</i>   |
|  | <i>2014</i>               | <i>2013</i>      | <i>2014</i>             | <i>2013</i>      |
|  | <i>US\$ '000</i>          | <i>US\$ '000</i> | <i>US\$ '000</i>        | <i>US\$ '000</i> |
| <b>Income</b>  |                           |                  |                         |                  |
| Net income from jointly financed contracts and investments                                   | <b>297,026</b>            | 262,666          | <b>561,754</b>          | 524,185          |
| Return on equity of investment accountholders before Group's share as a Mudarib              | <b>(258,431)</b>          | (245,985)        | <b>(486,629)</b>        | (469,153)        |
| Group's share as a Mudarib   | <b>80,991</b>             | 80,149           | <b>153,937</b>          | 157,462          |
| Return on equity of investment accountholders  | <b>(177,440)</b>          | (165,836)        | <b>(332,692)</b>        | (311,691)        |
| Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal) | <b>119,586</b>            | 96,830           | <b>229,062</b>          | 212,494          |
| Mudarib share for managing off-balance sheet equity of investment accountholders             | <b>2,791</b>              | 1,194            | <b>3,489</b>            | 1,600            |
| Net income from self financed contracts and investments                                      | <b>57,294</b>             | 57,921           | <b>108,488</b>          | 111,741          |
| Profit paid on long term financing   | <b>(3,137)</b>            | -                | <b>(10,319)</b>         | -                |
| Other fees and commission income   | <b>42,872</b>             | 51,864           | <b>87,677</b>           | 93,913           |
| Other operating income   | <b>12,987</b>             | 31,407           | <b>26,880</b>           | 52,537           |
| <b>TOTAL OPERATING INCOME</b>  | <b>232,393</b>            | 239,216          | <b>445,277</b>          | 472,285          |
| Staff expenses   | <b>67,765</b>             | 67,909           | <b>147,334</b>          | 141,009          |
| Depreciation and amortisation  | <b>11,010</b>             | 9,758            | <b>21,113</b>           | 19,193           |
| Other operating expenses   | <b>43,944</b>             | 49,770           | <b>83,221</b>           | 84,751           |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>122,719</b>            | 127,437          | <b>251,668</b>          | 244,953          |
| <b>NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION</b>                          | <b>109,674</b>            | 111,779          | <b>193,609</b>          | 227,332          |
| Net provisions   | <b>(6,608)</b>            | (13,351)         | <b>(678)</b>            | (37,619)         |
| <b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>   | <b>103,066</b>            | 98,428           | <b>192,931</b>          | 189,713          |
| Taxation   | <b>(26,755)</b>           | (24,254)         | <b>(50,069)</b>         | (49,791)         |
| <b>NET INCOME FOR THE PERIOD</b>   | <b>76,311</b>             | 74,174           | <b>142,862</b>          | 139,922          |
| Attributable to:   |                           |                  |                         |                  |
| Equity holders of the parent   | <b>43,836</b>             | 42,248           | <b>80,459</b>           | 79,063           |
| Non-controlling interest   | <b>32,475</b>             | 31,926           | <b>62,403</b>           | 60,859           |
|  | <b>76,311</b>             | 74,174           | <b>142,862</b>          | 139,922          |
| Basic and diluted earnings per share - US cents (note 11)                                    | <b>4.04</b>               | 3.89             | <b>7.41</b>             | 7.28             |



Saleh Abdullah Kamel  
Chairman



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

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014 (Reviewed)

|  | <i>Six months ended</i> |                  |
|--|-------------------------|------------------|
|  | <b>30 June</b>          | <b>30 June</b>   |
|  | <b>2014</b>             | <b>2013</b>      |
|  | <b>US\$ '000</b>        | <b>US\$ '000</b> |
| <b>OPERATING ACTIVITIES</b>  |                         |                  |
| Net income for the period before taxation  | <b>192,931</b>          | 189,713          |
| Adjustments for:   |                         |                  |
| Depreciation and amortisation  | <b>21,113</b>           | 19,193           |
| Depreciation on Ijarah Muntahia Bittamleek   | <b>45,085</b>           | 15,670           |
| Unrealised gain on equity and debt-type instruments at fair value through statement of income  | <b>(341)</b>            | (270)            |
| Gain on disposal of property and equipment   | <b>(2,410)</b>          | (1,264)          |
| Gain on disposal of investment in real estate  | <b>(249)</b>            | (1,185)          |
| Gain on disposal of equity-type instruments at fair value through equity                       | <b>(1,804)</b>          | (24)             |
| Gain on disposal of equity and debt-type instruments at fair value through statement of income | <b>(84)</b>             | (1,300)          |
| Net provisions   | <b>678</b>              | 37,619           |
| Income from associates   | <b>(1,785)</b>          | (1,764)          |
| Operating profit before changes in operating assets and liabilities                            | <b>253,134</b>          | 256,388          |
| Net changes in operating assets and liabilities:   |                         |                  |
| Reserves with Central Banks  | <b>198,281</b>          | (186,559)        |
| Receivables  | <b>(424,250)</b>        | (332,118)        |
| Mudaraba and Musharaka financing   | <b>(73,447)</b>         | (66,185)         |
| Ijarah Muntahia Bittamleek   | <b>(230,180)</b>        | (126,971)        |
| Other assets   | <b>(54,630)</b>         | (2,255)          |
| Customer current and other accounts  | <b>79,525</b>           | 28,990           |
| Due to banks   | <b>(112,790)</b>        | 375,608          |
| Other liabilities  | <b>127,275</b>          | 76,907           |
| Equity of investment accountholders  | <b>847,311</b>          | (37,257)         |
| Taxation paid  | <b>(54,854)</b>         | (36,826)         |
| Net cash from (used in) operating activities   | <b>555,375</b>          | (50,278)         |
| <b>INVESTING ACTIVITIES</b>  |                         |                  |
| Net (purchase) disposal of investments   | <b>(98,944)</b>         | 92,049           |
| Net disposal (purchase) of property and equipment  | <b>33,964</b>           | (11,999)         |
| Dividend received from associates  | <b>549</b>              | 663              |
| Net purchase of investment in associates   | <b>(17,213)</b>         | (144)            |
| Net cash (used in) from investing activities   | <b>(81,644)</b>         | 80,569           |
| <b>FINANCING ACTIVITIES</b>  |                         |                  |
| Dividends paid to equity holders of the parent   | <b>(36,690)</b>         | (35,507)         |
| Net movement in treasury shares  | <b>257</b>              | 335              |
| Long term financing  | <b>117,154</b>          | -                |
| Net change in non-controlling interest   | <b>(37,952)</b>         | (25,674)         |
| Net cash from (used in) financing activities   | <b>42,769</b>           | (60,846)         |
| Foreign currency translation adjustments   | <b>(12,107)</b>         | (103,548)        |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <b>504,393</b>          | (134,103)        |
| Cash and cash equivalents at 1 January   | <b>2,304,753</b>        | 1,950,294        |
| <b>CASH AND CASH EQUIVALENTS AT 30 JUNE (note 14)</b>  | <b>2,809,146</b>        | 1,816,191        |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2014 (Reviewed)

|   | Attributable to the equity holders of the parent |                           |                         |                             |                                   |                                  |  |                             |                                   |                  |                                    |                                |
|---|--|---------------------------|-------------------------|-----------------------------|-----------------------------------|----------------------------------|--|-----------------------------|-----------------------------------|------------------|------------------------------------|--------------------------------|
|   | Reserves   |                           |                         |                             | Cumulative changes in fair values |                                  | Foreign currency translation US\$ '000 | Retained earnings US\$ '000 | Proposed appropriations US\$ '000 | Total US\$ '000  | Non-controlling interest US\$ '000 | Total owners' equity US\$ '000 |
|   | Share capital US\$ '000                          | Treasury shares US\$ '000 | Share premium US\$ '000 | Statutory reserve US\$ '000 | Other reserves US\$ '000          | changes in fair values US\$ '000 |  |                             |                                   |                  |                                    |                                |
| At 1 January 2014                                 | 1,048,291  | (8,123)                   | 16,753                  | 93,138                      | 38,546                            | (2,380)                          | (232,928)                              | 263,086                     | 82,268                            | 1,298,651        | 684,736                            | 1,983,387                      |
| Dividends declared (note 12)                      | -  | -                         | -                       | -                           | -                                 | -                                | -                                      | -                           | (36,690)                          | (36,690)         | -                                  | (36,690)                       |
| Bonus shares issued (note 12)                     | 45,578   | -                         | -                       | -                           | -                                 | -                                | -                                      | -                           | (45,578)                          | -                | -                                  | -                              |
| Net movement in treasury shares                   | -  | (334)                     | 591                     | -                           | -                                 | -                                | -                                      | -                           | -                                 | 257              | -                                  | 257                            |
| Net movement in cumulative changes in fair values | -  | -                         | -                       | -                           | -                                 | 424                              | -                                      | -                           | -                                 | 424              | 169                                | 593                            |
| Net movement in other reserves                    | -  | -                         | -                       | -                           | (2,599)                           | -                                | -                                      | -                           | -                                 | (2,599)          | (1,859)                            | (4,458)                        |
| Foreign currency translation                      | -  | -                         | -                       | -                           | -                                 | -                                | (6,324)                                | -                           | -                                 | (6,324)          | (5,783)                            | (12,107)                       |
| Net income for the period                         | -  | -                         | -                       | -                           | -                                 | -                                | -                                      | 80,459                      | -                                 | 80,459           | 62,403                             | 142,862                        |
| Dividends of subsidiaries                         | -  | -                         | -                       | -                           | -                                 | -                                | -                                      | -                           | -                                 | -                | (37,952)                           | (37,952)                       |
| <b>At 30 June 2014</b>                            | <b>1,093,869</b>                                 | <b>(8,457)</b>            | <b>17,344</b>           | <b>93,138</b>               | <b>35,947</b>                     | <b>(1,956)</b>                   | <b>(239,252)</b>                       | <b>343,545</b>              | <b>-</b>                          | <b>1,334,178</b> | <b>701,714</b>                     | <b>2,035,892</b>               |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2014 (Reviewed)

Attributable to the equity holders of the parent

Reserves

|  | Share capital<br>US\$ '000 | Treasury shares<br>US\$ '000 | Share premium<br>US\$ '000 | Statutory reserve<br>US\$ '000 | Other reserves<br>US\$ '000 | Cumulative changes in fair values<br>US\$ '000 | Foreign currency translation<br>US\$ '000 | Retained earnings<br>US\$ '000 | Proposed appropriations<br>US\$ '000 | Total<br>US\$ '000 | Non-controlling interest<br>US\$ '000 | Total owners' equity<br>US\$ '000 |
|--|----------------------------|------------------------------|----------------------------|--------------------------------|-----------------------------|--|---|--------------------------------|--------------------------------------|--------------------|---------------------------------------|-----------------------------------|
| At 1 January 2013                                  | 1,014,475                  | (8,475)                      | 16,352                     | 78,687                         | 42,566                      | (3,636)  | (133,591)                                 | 218,222                        | 69,323                               | 1,293,923          | 673,757                               | 1,967,680                         |
| Dividends declared (note 12)                       | -                          | -                            | -                          | -                              | -                           | -  | -   | -                              | (35,507)                             | (35,507)           | -                                     | (35,507)                          |
| Bonus shares issued (note 12)                      | 33,816                     | -                            | -                          | -                              | -                           | -  | -   | -                              | (33,816)                             | -                  | -                                     | -                                 |
| Net movement in treasury shares                    | -                          | 60                           | 275                        | -                              | -                           | -  | -   | -                              | -                                    | 335                | -                                     | 335                               |
| Net movement in cumulative changes in fair values  | -                          | -                            | -                          | -                              | -                           | 913  | -   | -                              | -                                    | 913                | 282                                   | 1,195                             |
| Net movement in other reserves                     | -                          | -                            | -                          | -                              | (1,739)                     | -  | -   | -                              | -                                    | (1,739)            | (1,224)                               | (2,963)                           |
| Foreign currency translation                       | -                          | -                            | -                          | -                              | -                           | -  | (58,326)                                  | -                              | -                                    | (58,326)           | (45,222)                              | (103,548)                         |
| Net income for the period                          | -                          | -                            | -                          | -                              | -                           | -  | -   | 79,063                         | -                                    | 79,063             | 60,859                                | 139,922                           |
| Dividends of subsidiaries                          | -                          | -                            | -                          | -                              | -                           | -  | -   | -                              | -                                    | -                  | (25,674)                              | (25,674)                          |
| Effects of acquisition of non-controlling interest | -                          | -                            | -                          | -                              | -                           | -  | -   | 1                              | -                                    | 1                  | (1)                                   | -                                 |
| At 30 June 2013                                    | 1,048,291                  | (8,415)                      | 16,627                     | 78,687                         | 40,827                      | (2,723)  | (191,917)                                 | 297,286                        | -                                    | 1,278,663          | 662,777                               | 1,941,440                         |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

AI Baraka Banking Group B.S.C.

INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS /  
SUKUK HOLDERS

For the six months ended 30 June 2014 (Reviewed)

ACCOUNTHOLDERS:

|                              | Cash<br>US\$ '000 | Sales<br>receivables<br>US\$ '000 | Mudaraba<br>financing<br>US\$ '000 | Investment<br>in real estate<br>US\$ '000 | Ijarah Muntahia<br>Bittamleek<br>US\$ '000 | Investments<br>US\$ '000 | Others<br>US\$ '000 | Total<br>US\$ '000 |
|------------------------------|-------------------|-----------------------------------|------------------------------------|---|--|--------------------------|---------------------|--------------------|
| At 1 January 2014            | 106,868           | 69,860                            | 282,380                            | 50,459                                    | 27,835                                     | 155,608                  | 21,238              | 714,248            |
| Deposits                     | 33,412            | 146,851                           | 762,280                            | 2   | 8,164                                      | 78,975                   | 93,897              | 1,123,581          |
| Withdrawals                  | (69,409)          | (81,672)                          | (638,956)                          | (12,404)                                  | (1,141)                                    | (76,451)                 | (73,121)            | (953,154)          |
| Income net of expenses       | -                 | 6,591                             | 2,311                              | 250                                       | 1,282                                      | 4,928                    | 359                 | 15,721             |
| Mudarib's share              | -                 | (2,300)                           | (207)                              | (30)                                      | (154)                                      | (580)                    | (218)               | (3,489)            |
| Foreign exchange translation | -                 | (3,081)                           | -                                  | 17  | -  | 6                        | (3,813)             | (6,871)            |
| <b>At 30 June 2014</b>       | <b>70,871</b>     | <b>136,249</b>                    | <b>407,808</b>                     | <b>38,294</b>                             | <b>35,986</b>                              | <b>162,486</b>           | <b>38,342</b>       | <b>890,036</b>     |
| At 1 January 2013            | 57,403            | 84,056                            | 206,123                            | 34,220                                    | -  | 153,856                  | 63,137              | 598,795            |
| Deposits                     | 97,394            | 65,415                            | 522,552                            | 2,316                                     | -  | 55,637                   | 270,275             | 1,013,589          |
| Withdrawals                  | (41,793)          | (92,756)                          | (531,988)                          | (247)                                     | -  | (43,443)                 | (229,807)           | (940,034)          |
| Income net of expenses       | -                 | 5,588                             | 1,376                              | 257                                       | -  | 1,478                    | 1,323               | 10,022             |
| Mudarib's share              | -                 | (1,102)                           | -                                  | (43)                                      | -  | (102)                    | (353)               | (1,600)            |
| Foreign exchange translation | -                 | -                                 | -                                  | -   | -  | 75                       | (28,943)            | (28,868)           |
| <b>At 30 June 2013</b>       | <b>113,004</b>    | <b>61,201</b>                     | <b>198,063</b>                     | <b>36,503</b>                             | <b>-</b>                                   | <b>167,501</b>           | <b>75,632</b>       | <b>651,904</b>     |

SUKUK HOLDERS:

|                        | Commodity<br>murabaha<br>US\$ '000 | Ijarah<br>sukuk<br>US\$ '000 | Total<br>US\$ '000 |
|------------------------|------------------------------------|------------------------------|--------------------|
| At 1 January 2014      | -                                  | -                            | -                  |
| Subscriptions (note 9) | 171,500                            | 178,500                      | 350,000            |
| Net income             | 58                                 | 24                           | 82                 |
| Incentive fees         | (12)                               | (12)                         | (24)               |
| <b>At 30 June 2014</b> | <b>171,546</b>                     | <b>178,512</b>               | <b>350,058</b>     |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2014 (Reviewed)

**1 ACTIVITIES**

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

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**Basis of Preparation**

These interim condensed consolidated financial statements for the six month period ended 30 June 2014 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2013. In addition, results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The annual consolidated financial statements for the year ended 31 December 2013 were prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law and the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions and rules and procedures of the Bahrain Bourse. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist including "Interim Financial Reporting," the Group uses the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 30 June 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

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

**Significant accounting policies**

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those used in preparation of the annual consolidated financial statements for the year ended 31 December 2013, except for the following:

**Off-balance sheet equity of sukuk holders**

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

**Approval of the Interim Condensed Consolidated Financial Statements**

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 10 August 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

**3 RECEIVABLES**

|                              | <i>Audited</i>    | <i>Audited</i>     |
|------------------------------|-------------------|--------------------|
|                              | <i>30 June</i>    | <i>31 December</i> |
|                              | <i>2014</i>       | <i>2013</i>        |
|                              | <i>US\$ '000</i>  | <i>US\$ '000</i>   |
| Sales (Murabaha) receivables | <b>11,033,253</b> | 10,632,286         |
| Ijarah receivables           | <b>18,151</b>     | 20,504             |
| Salam receivables            | <b>127,381</b>    | 126,174            |
| Istisna'a receivables        | <b>46,343</b>     | 39,255             |
|                              | <b>11,225,128</b> | 10,818,219         |

**4 MUDARABA AND MUSHARAKA FINANCING**

|                     | <i>Audited</i>   | <i>Audited</i>     |
|---------------------|------------------|--------------------|
|                     | <i>30 June</i>   | <i>31 December</i> |
|                     | <i>2014</i>      | <i>2013</i>        |
|                     | <i>US\$ '000</i> | <i>US\$ '000</i>   |
| Mudaraba financing  | <b>805,348</b>   | 809,178            |
| Musharaka financing | <b>462,164</b>   | 382,947            |
|                     | <b>1,267,512</b> | 1,192,125          |

**5 INVESTMENTS**

|  | <i>Audited</i>   | <i>Audited</i>     |
|--|------------------|--------------------|
|  | <i>30 June</i>   | <i>31 December</i> |
|  | <i>2014</i>      | <i>2013</i>        |
|  | <i>US\$ '000</i> | <i>US\$ '000</i>   |
| Equity and debt-type instruments at fair value through statement of income (5.1) | <b>21,124</b>    | 34,644             |
| Equity-type instruments at fair value through equity (5.2)                       | <b>90,934</b>    | 97,087             |
| Debt-type instruments at amortised cost (5.3)                                    | <b>2,215,300</b> | 2,093,920          |
|  | <b>2,327,358</b> | 2,225,651          |
| Investment in real estate (5.4)  | <b>145,156</b>   | 139,350            |
| Investment in associates   | <b>57,310</b>    | 37,829             |
|  | <b>2,529,824</b> | 2,402,830          |

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

|                           | <i>Audited</i>   | <i>Audited</i>     |
|---------------------------|------------------|--------------------|
|                           | <i>30 June</i>   | <i>31 December</i> |
|                           | <i>2014</i>      | <i>2013</i>        |
|                           | <i>US\$ '000</i> | <i>US\$ '000</i>   |
| <b>Quoted investments</b> |                  |                    |
| Debts                     | <b>16,895</b>    | 31,684             |
| Equities                  | <b>4,229</b>     | 2,960              |
|                           | <b>21,124</b>    | 34,644             |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

**5 INVESTMENTS (continued)****5.2 Equity-type instruments at fair value through equity**

|                             | <i>30 June<br/>2014<br/>US\$ '000</i> | <i>Audited<br/>31 December<br/>2013<br/>US\$ '000</i> |
|-----------------------------|---------------------------------------|---|
| <b>Quoted investments</b>   |                                       |   |
| Equities                    | 36,389                                | 48,193  |
| Managed funds               | 18,680                                | 16,401  |
|                             | <u>55,069</u>                         | <u>64,594</u>   |
| <b>Unquoted investments</b> |                                       |   |
| Equities                    | 32,217                                | 27,069  |
| Managed funds               | 8,649                                 | 10,485  |
|                             | <u>40,866</u>                         | <u>37,554</u>   |
| Provisions                  | <u>(5,001)</u>                        | <u>(5,061)</u>  |
|                             | <u><u>90,934</u></u>                  | <u><u>97,087</u></u>                                  |

**5.3 Debt-type instruments at amortised cost**

|                             | <i>30 June<br/>2014<br/>US\$ '000</i> | <i>Audited<br/>31 December<br/>2013<br/>US\$ '000</i> |
|-----------------------------|---------------------------------------|---|
| <b>Quoted investments</b>   |                                       |   |
| Sukuk and similar items     | 1,066,950                             | 967,999   |
|                             | <u>1,066,950</u>                      | <u>967,999</u>  |
| <b>Unquoted investments</b> |                                       |   |
| Sukuk and similar items     | 1,151,641                             | 1,128,902   |
|                             | <u>1,151,641</u>                      | <u>1,128,902</u>                                      |
| Provisions                  | <u>(3,291)</u>                        | <u>(2,981)</u>  |
|                             | <u><u>2,215,300</u></u>               | <u><u>2,093,920</u></u>                               |

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

The Group's investments in sukuk and similar items held at amortised cost have fair values amounting to US\$ 2,284 million (31 December 2013: US\$ 2,123 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

**5 INVESTMENTS (continued)**

**5.4 Investment in real estate**

|           | <i>Audited</i><br><b>30 June 2014</b><br><i>US\$ '000</i> | <i>Audited</i><br><b>31 December 2013</b><br><i>US\$ '000</i> |
|-----------|---|---|
| Land      | 68,395  | 77,140  |
| Buildings | 76,761  | 62,210  |
|           | <b>145,156</b>  | <b>139,350</b>  |

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

|   | <i>Audited</i><br><b>30 June 2014</b><br><i>US\$ '000</i> | <i>Audited</i><br><b>31 December 2013</b><br><i>US\$ '000</i> |
|---|---|---|
| Beginning balance of the period / year      | 139,350   | 127,829   |
| Acquisition                                 | 27,454  | 11,290  |
| Net (loss) gain from fair value adjustments | (128)   | 6,988   |
| Disposal                                    | (21,251)  | (1,860)   |
| Foreign exchange translation - net          | (269)   | (4,897)   |
|   | 5,806   | 11,521  |
| Ending balance of the period / year         | <b>145,156</b>  | <b>139,350</b>  |

**6 OTHER ASSETS**

|                                | <i>Audited</i><br><b>30 June 2014</b><br><i>US\$ '000</i> | <i>Audited</i><br><b>31 December 2013</b><br><i>US\$ '000</i> |
|--------------------------------|---|---|
| Bills receivable               | 163,407   | 109,102   |
| Goodwill and intangible assets | 107,001   | 104,946   |
| Collateral pending sale        | 75,205  | 75,471  |
| Prepayments                    | 50,562  | 46,422  |
| Deferred taxation              | 19,357  | 19,022  |
| Good faith qard fund           | 12,581  | 24,359  |
| Others                         | 53,944  | 45,154  |
|                                | <b>482,057</b>  | <b>424,476</b>  |
| Provisions                     | (13,867)  | (15,506)  |
|                                | <b>468,190</b>  | <b>408,970</b>  |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

## 7 OTHER LIABILITIES

|                   | <i>Audited</i>   |                    |
|-------------------|------------------|--------------------|
|                   | <i>30 June</i>   | <i>31 December</i> |
|                   | <i>2014</i>      | <i>2013</i>        |
|                   | <i>US\$ '000</i> | <i>US\$ '000</i>   |
| Payables          | <b>324,819</b>   | 254,266            |
| Cash margins      | <b>253,196</b>   | 202,313            |
| Managers' cheques | <b>16,743</b>    | 9,256              |
| Other provisions  | <b>21,015</b>    | 30,306             |
| Current taxation  | <b>55,740</b>    | 61,723             |
| Accrued expenses  | <b>59,837</b>    | 78,301             |
| Deferred taxation | <b>2,218</b>     | 686                |
| Charity fund      | <b>5,583</b>     | 7,432              |
| Others            | <b>79,884</b>    | 54,716             |
|                   | <b>819,035</b>   | 698,999            |

## 8 COMMITMENTS AND CONTINGENCIES

|                     | <i>Audited</i>   |                    |
|---------------------|------------------|--------------------|
|                     | <i>30 June</i>   | <i>31 December</i> |
|                     | <i>2014</i>      | <i>2013</i>        |
|                     | <i>US\$ '000</i> | <i>US\$ '000</i>   |
| Letters of credit   | <b>974,429</b>   | 1,111,881          |
| Guarantees          | <b>3,008,333</b> | 2,881,336          |
| Acceptances         | <b>168,067</b>   | 180,282            |
| Undrawn commitments | <b>867,178</b>   | 773,961            |
| Others              | <b>208</b>       | 207                |
|                     | <b>5,018,215</b> | 4,947,667          |

## 9 SUKUK ISSUANCE

During the period, Al Baraka Turk Participation Bank (ATPB) issued sukuk listed in Irish Stock Exchange for a tenure of 5 years through its fully owned subsidiary Bereket Varlık Kiralama A.Ş., amounting to US\$ 350 million. The profit payment of these sukuk will be on semi-annual basis with an expected profit rate of 6.25% per annum. The sukuk subscriptions to an extent of not less than 51% will be utilised to purchase asset portfolio, while the remaining portion to an extent of not more than 49% will be utilised as commodity murabaha. Further, as per the terms of the management agency agreement, any profit in excess of an expected profit rate of 6.25% per annum on sukuk assets principle amount will be recognised as an incentive fee by ATPB.

ATPB derecognised part of its investment assets (Ijarah sukuk) amounting to US\$ 178.5 million which were sold to sukuk holders, however, these assets will be managed by ATPB as per the terms of the management agency agreement. Moreover, ATPB has signed a purchase undertaking agreement to buy these assets after 5 years from the sukuk issuance date.

Further, ATPB has entered into a murabaha agreement with sukuk holders for an amount of US\$ 171.5 million payable in 5 years with a profit rate of 12.76% per annum to be paid on semi-annual basis. ATPB has recognised this murabaha as part of its long term financing.

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

### 10 RELATED PARTY TRANSACTIONS

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

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

|  | Associated companies<br>US\$ '000 | Major shareholders<br>US\$ '000 | Directors and key management<br>personnel<br>US\$ '000 | Other related parties<br>US\$ '000 | Six months ended          |                           |
|--|-----------------------------------|---------------------------------|--|------------------------------------|---------------------------|---------------------------|
|  |                                   |                                 |  |                                    | 30 June 2014<br>US\$ '000 | 30 June 2013<br>US\$ '000 |
| Net income from jointly financed contracts and investments | 1,228                             | -                               | 19   | -                                  | 1,247                     | 39                        |
| Net income from self financed contracts and investments    | 357                               | 44                              | -  | -                                  | 401                       | 139                       |
| Return on equity of investment accountholders              | -                                 | 40                              | 355  | -                                  | 395                       | 326                       |
| Other fees and commission income                           | 143                               | -                               | -  | -                                  | 143                       | 50                        |

The significant balances with related parties were as follows:

|   | Associated companies<br>US\$ '000 | Major shareholders<br>US\$ '000 | Directors and key management<br>personnel<br>US\$ '000 | Other related parties<br>US\$ '000 | Audited                   |                               |
|---|-----------------------------------|---------------------------------|--|------------------------------------|---------------------------|-------------------------------|
|   |                                   |                                 |  |                                    | 30 June 2014<br>US\$ '000 | 31 December 2013<br>US\$ '000 |
| <b>Assets</b>   |                                   |                                 |  |                                    |                           |                               |
| Receivables   | 10,241                            | 2                               | 806  | -                                  | 11,049                    | 8,918                         |
| Mudaraba and Musharaka financing                      | -                                 | 10                              | 1,095  | -                                  | 1,105                     | 2,657                         |
| Investments   | 65,877                            | 40                              | -  | 270                                | 66,187                    | 38,062                        |
| Ijarah Muntahia Bittamleek                            | -                                 | -                               | 1,010  | -                                  | 1,010                     | 1,097                         |
| Other assets  | 428                               | 57                              | 1,043  | 70                                 | 1,598                     | 762                           |
| <b>Liabilities</b>                                    |                                   |                                 |  |                                    |                           |                               |
| Customer current and other accounts                   | 7,445                             | 5,992                           | 3,309  | 111                                | 16,857                    | 12,011                        |
| Due to banks  | -                                 | 14,864                          | -  | -                                  | 14,864                    | 15,430                        |
| Other liabilities                                     | 2,076                             | 11,992                          | 2  | -                                  | 14,070                    | 2,098                         |
| Equity of investment accountholders                   | 13,621                            | 9,339                           | 7,670  | 63                                 | 30,693                    | 29,707                        |
| Off-balance sheet equity of investment accountholders | 10,574                            | 8,567                           | 658  | -                                  | 19,799                    | 13,322                        |

All related party exposures are performing and are free of any provision for possible credit losses. All related party transactions were conducted on an arm's length basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

**11 BASIC AND DILUTED EARNINGS PER SHARE**

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

|   | <i>Three months ended</i> |                         | <i>Six months ended</i> |                         |
|---|---------------------------|-------------------------|-------------------------|-------------------------|
|   | <i>30 June<br/>2014</i>   | <i>30 June<br/>2013</i> | <i>30 June<br/>2014</i> | <i>30 June<br/>2013</i> |
| Net income attributable to the equity holders of the parent for the period - US\$ '000  | <b>43,836</b>             | 42,248                  | <b>80,459</b>           | 79,063                  |
| Weighted average number of shares outstanding at beginning of the period (in thousands) | <b>1,085,617</b>          | 1,039,837               | <b>1,085,469</b>        | 1,040,005               |
| Treasury shares effect (in thousands)   | <b>11</b>                 | 51                      | <b>153</b>              | (143)                   |
| Bonus shares effect (in thousands)*   | -                         | 45,578                  | -                       | 45,578                  |
| Weighted average number of shares outstanding at end of the period - (in thousands)     | <b>1,085,628</b>          | 1,085,466               | <b>1,085,622</b>        | 1,085,440               |
| Earnings per share - US cents   | <b>4.04</b>               | 3.89                    | <b>7.41</b>             | 7.28                    |

\*The weighted average number of shares of the previous period has been adjusted on account of the bonus issue made during 2014.

**12 OWNERS' EQUITY**

|  | <i>Audited</i>                        |   |
|--|---------------------------------------|---|
|  | <i>30 June<br/>2014<br/>US\$ '000</i> | <i>31 December<br/>2013<br/>US\$ '000</i> |
| <i>Share capital</i>   |                                       |   |
| <b>Authorised:</b>   |                                       |   |
| Ordinary shares 1,500,000,000 (2013: 1,500,000,000) of US\$ 1 each | <b>1,500,000</b>                      | 1,500,000                                 |
| <b>Issued and fully paid up:</b>                                   |                                       |   |
| At beginning of the period / year                                  |                                       |   |
| 1,048,291,833 (2013: 1,014,475,000) shares of US\$1 each           | <b>1,048,291</b>                      | 1,014,475                                 |
| Issued during the period / year                                    |                                       |   |
| 45,577,906 bonus shares (2013: 33,816,000) of US\$1 each           | <b>45,578</b>                         | 33,816                                    |
| At end of the period / year  |                                       |   |
| 1,093,869,739 (2013: 1,048,291,000) shares of US\$1 each           | <b>1,093,869</b>                      | 1,048,291                                 |

*Proposed appropriations*

At the Annual General Meeting held on 23 March 2014 (2013: 19 March 2013), the shareholders of the Group resolved to distribute US\$ 36,690 thousand (2013: US\$ 35,507 thousand) as cash dividends and US\$ 45,578 thousand (2013: US\$ 33,816 thousand) as bonus shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

**13 SEGMENTAL INFORMATION**

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

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

- Middle East
- North Africa
- Europe
- Others

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

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

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

| Segment      | 30 June 2014        |                          |  | Audited<br>31 December 2013 |                          |  |
|--------------|---------------------|--------------------------|--|-----------------------------|--------------------------|--|
|              | Assets<br>US\$ '000 | Liabilities<br>US\$ '000 | Equity of<br>investment<br>accountholders<br>US\$ '000 | Assets<br>US\$ '000         | Liabilities<br>US\$ '000 | Equity of<br>investment<br>accountholders<br>US\$ '000 |
| Middle East  | 9,047,307           | 2,506,490                | 5,702,571  | 8,746,346                   | 2,463,265                | 5,458,582  |
| North Africa | 2,589,139           | 1,110,725                | 1,152,359  | 2,588,865                   | 1,099,882                | 1,136,874  |
| Europe       | 8,772,407           | 2,613,553                | 5,417,494  | 8,076,290                   | 2,593,951                | 4,790,278  |
| Others       | 1,669,236           | 557,886                  | 981,119  | 1,556,058                   | 427,630                  | 1,013,710  |
|              | <b>22,078,089</b>   | <b>6,788,654</b>         | <b>13,253,543</b>                                      | <b>20,967,559</b>           | <b>6,584,728</b>         | <b>12,399,444</b>                                      |

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

| Segment      | Six months ended<br>30 June 2014          |   |                            | Six months ended<br>30 June 2013          |   |                            |
|--------------|---|---|----------------------------|---|---|----------------------------|
|              | Total<br>operating<br>income<br>US\$ '000 | Net<br>operating<br>income<br>US\$ '000 | Net<br>income<br>US\$ '000 | Total<br>operating<br>income<br>US\$ '000 | Net<br>operating<br>income<br>US\$ '000 | Net<br>income<br>US\$ '000 |
| Middle East  | 164,751                                   | 72,745                                  | 49,262                     | 181,886                                   | 94,321                                  | 46,991                     |
| North Africa | 53,656                                    | 27,229                                  | 27,674                     | 70,770                                    | 42,187                                  | 29,830                     |
| Europe       | 192,561                                   | 85,781                                  | 60,050                     | 186,090                                   | 80,901                                  | 57,764                     |
| Others       | 34,309                                    | 7,854                                   | 5,876                      | 33,539                                    | 9,923                                   | 5,337                      |
|              | <b>445,277</b>                            | <b>193,609</b>                          | <b>142,862</b>             | <b>472,285</b>                            | <b>227,332</b>                          | <b>139,922</b>             |



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2014 (Reviewed)

**14 CASH AND CASH EQUIVALENTS**

|   | <i>Six months ended</i> |                  |
|---|-------------------------|------------------|
|   | <i>30 June</i>          | <i>30 June</i>   |
|   | <i>2014</i>             | <i>2013</i>      |
|   | <i>US\$ '000</i>        | <i>US\$ '000</i> |
| Balances with central banks excluding mandatory reserve | <b>1,261,281</b>        | 827,760          |
| Balances with other banks                               | <b>1,086,491</b>        | 645,548          |
| Cash and cash in transit                                | <b>461,374</b>          | 342,883          |
|   | <b><u>2,809,146</u></b> | <u>1,816,191</u> |

**15 COMPARATIVE FIGURES**

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