

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 2016 (REVIEWED)**



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## **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 September 2016, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the nine-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.

13 November 2016  
Manama, Kingdom of Bahrain

# Al Baraka Banking Group B.S.C.

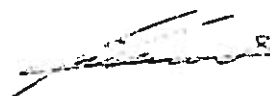
## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016 (Reviewed)

		<i>Audited</i>
		30 September 2016
		31 December 2015
	<i>Notes</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with banks		4,927,337
Receivables	3	12,215,996
Mudaraba and Musharaka financing	4	1,588,013
Investments	5	3,437,963
Ijarah Muntahia Bittamleek		1,812,711
Property and equipment		448,382
Other assets	6	496,534
<b>TOTAL ASSETS</b>		<b>24,926,936</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer current and other accounts		4,824,300
Due to banks		733,994
Long term financing	7	1,359,341
Other liabilities	8	948,070
<b>Total liabilities</b>		<b>7,865,705</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>14,906,316</b>
<b>OWNERS' EQUITY</b>		
Share capital	12	1,149,218
Treasury shares		(9,327)
Share premium		18,754
Reserves		163,847
Cumulative changes in fair values		38,140
Foreign currency translations	12	(507,117)
Retained earnings		543,592
Proposed appropriations	12	-
<b>Equity attributable to parent's shareholders</b>		<b>1,397,107</b>
Non-controlling interest		757,808
<b>Total owners' equity</b>		<b>2,154,915</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>24,926,936</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.

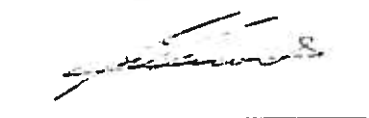
# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2016 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2016</i>	<i>30 September 2015</i>	<i>30 September 2016</i>	<i>30 September 2015</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	346,602	296,843	1,002,288	900,478
Return on equity of investment accountholders before Group's share as a Mudarib	(275,509)	(228,052)	(837,250)	(756,070)
Group's share as a Mudarib	91,135	73,216	293,604	257,796
Return on equity of investment accountholders	(184,374)	(154,836)	(543,646)	(498,274)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	162,228	142,007	458,642	402,204
Mudarib share for managing off-balance sheet equity of investment accountholders	654	1,340	2,457	3,431
Net income from self financed contracts and investments	60,862	58,678	210,282	201,799
Fees and commission income	30,378	49,937	132,527	142,848
Other operating income	18,107	(8,277)	48,610	24,983
	272,229	243,685	852,518	775,265
Profit paid on long term financing	(21,545)	(8,049)	(63,616)	(37,248)
<b>TOTAL OPERATING INCOME</b>	<b>250,684</b>	<b>235,636</b>	<b>788,902</b>	<b>738,017</b>
<b>OPERATING EXPENSES</b>				
Staff expenses	76,673	74,910	250,629	232,304
Depreciation and amortisation	2,184	12,387	32,917	34,593
Other operating expenses	46,233	42,951	143,654	137,658
<b>TOTAL OPERATING EXPENSES</b>	<b>125,090</b>	<b>130,248</b>	<b>427,200</b>	<b>404,555</b>
<b>NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION</b>				
	125,594	105,388	361,702	333,462
Net provisions	(39,157)	(11,042)	(76,686)	(34,249)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>	<b>86,437</b>	<b>94,346</b>	<b>285,016</b>	<b>299,213</b>
Taxation	(25,644)	(30,646)	(81,176)	(85,126)
<b>NET INCOME FOR THE PERIOD</b>	<b>60,793</b>	<b>63,700</b>	<b>203,840</b>	<b>214,087</b>
Attributable to:				
Equity holders of the parent	35,035	36,400	116,421	121,072
Non-controlling interest	25,758	27,300	87,419	93,015
	60,793	63,700	203,840	214,087
Basic and diluted earnings per share - US cents (note 11)				
	3.07	3.19	10.21	10.61

  
 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 nine months ended 30 September 2016 (Reviewed)

	<i>Nine months ended</i>	
	<b>30 September 2016 US\$ '000</b>	<b>30 September 2015 US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period before taxation	285,016	299,213
Adjustments for:		
Depreciation and amortisation	32,917	34,593
Depreciation on Ijarah Muntahia Bittamleek	151,641	140,924
Unrealised gain on equity and debt-type instruments at fair value through statement of income	(132)	(66)
Gain on disposal of property and equipment	(7,081)	(5,544)
Gain on disposal of investment in real estate	(5,502)	(361)
Gain on disposal of equity-type instruments at fair value through equity	(1,719)	(2,334)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	(692)	(1,295)
Net provisions	76,686	34,249
Income from associates	(1,765)	(1,006)
Operating profit before changes in operating assets and liabilities	<b>529,369</b>	<b>498,373</b>
Net changes in operating assets and liabilities:		
Reserves with central banks	788,411	139,373
Receivables	(332,074)	487,207
Mudaraba and Musharaka financing	(31,936)	(84,567)
Ijarah Muntahia Bittamleek	(229,896)	(304,868)
Other assets	(61,754)	(77,547)
Customer current and other accounts	(16,793)	(74,357)
Due to banks	(74,274)	(218,873)
Other liabilities	115,709	11,686
Equity of investment accountholders	393,769	291,947
Taxation paid	(115,129)	(96,098)
Net cash from operating activities	<b>965,402</b>	<b>572,276</b>
<b>INVESTING ACTIVITIES</b>		
Net purchase of investments	(323,340)	(560,602)
Net purchase of property and equipment	(27,197)	(18,137)
Dividend received from associates	1,245	769
Net (purchases) disposal of investment in associates	(2,670)	7,458
Net cash used in investing activities	<b>(351,962)</b>	<b>(570,512)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to equity holders of the parent	(22,143)	(32,816)
Net movement in treasury shares	229	170
Long term financing	(137,867)	653,244
Net change in non-controlling interest	(32,464)	(33,494)
Net cash (used in) from financing activities	<b>(192,245)</b>	<b>587,104</b>
Foreign currency translation adjustments	(78,856)	(269,755)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>342,339</b>	<b>319,113</b>
Cash and cash equivalents at 1 January	2,292,689	2,735,121
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER (note 14)</b>	<b>2,635,028</b>	<b>3,054,234</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 nine months ended 30 September 2016 (Reviewed)

	Attributable to equity holders of the parent												
	Reserves					Cumulative changes in fair values							
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Investments US\$ '000	Property and equipment US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Appropriations US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2016	1,115,746	(8,464)	17,662	124,585	40,874	2,229	36,300	(461,948)	433,631	55,787	1,356,402	738,181	2,094,583
Dividends (note 12)	-	-	-	-	-	-	-	-	172	(22,315)	(22,143)	-	(22,143)
Bonus shares issued (note 12)	33,472	-	-	-	-	-	-	-	-	(33,472)	-	-	-
Net movement in treasury shares	-	(863)	1,092	-	-	-	-	-	-	-	229	-	229
Net movement in cumulative changes in fair values	-	-	-	-	-	(389)	-	-	-	-	(389)	(140)	(529)
Net movement in other reserves	-	-	-	-	(1,612)	-	-	-	-	-	(1,612)	(1,501)	(3,113)
Foreign currency translation	-	-	-	-	-	-	-	(45,169)	-	-	(45,169)	(33,687)	(78,856)
Net income for the period	-	-	-	-	-	-	-	-	116,421	-	116,421	87,419	203,840
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,424)	(31,424)
Allocation of Zakah	-	-	-	-	-	-	-	-	(6,632)	-	(6,632)	-	(6,632)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,040)	(1,040)
<b>At 30 September 2016</b>	<b>1,149,218</b>	<b>(9,327)</b>	<b>18,754</b>	<b>124,585</b>	<b>39,262</b>	<b>1,840</b>	<b>36,300</b>	<b>(507,117)</b>	<b>543,592</b>	<b>-</b>	<b>1,397,107</b>	<b>757,808</b>	<b>2,154,915</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 nine months ended 30 September 2016 (Reviewed)

	Attributable to equity holders of the parent											
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair values US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Appropriations US\$ '000	Total US\$ '000	Non- controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2015	1,093,869	(8,261)	17,288	108,311	39,310	3,073	(313,602)	343,398	54,693	1,338,079	736,544	2,074,623
Dividends (note 12)	-	-	-	-	-	-	-	-	(32,816)	(32,816)	-	(32,816)
Bonus shares issued (note 12)	21,877	-	-	-	-	-	-	-	(21,877)	-	-	-
Net movement in treasury shares	-	(219)	389	-	-	-	-	-	-	170	-	170
Net movement in cumulative changes in fair values	-	-	-	-	-	(828)	-	-	-	(828)	(281)	(1,109)
Net movement in other reserves	-	-	-	-	4,595	-	-	-	-	4,595	716	5,311
Foreign currency translation	-	-	-	-	-	-	(154,179)	-	-	(154,179)	(115,577)	(269,756)
Net income for the period	-	-	-	-	-	-	-	121,072	-	121,072	93,015	214,087
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(33,494)	(33,494)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	(447)	-	(447)	447	-
<b>At 30 September 2015</b>	<b>1,115,746</b>	<b>(8,480)</b>	<b>17,677</b>	<b>108,311</b>	<b>43,905</b>	<b>2,245</b>	<b>(467,781)</b>	<b>464,023</b>	<b>-</b>	<b>1,275,646</b>	<b>681,370</b>	<b>1,957,016</b>

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

Al Baraka Banking Group B.S.C.

**INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS**

For the nine months ended 30 September 2016 (Reviewed)

	Cash US\$ '000	Sales receivable US\$ '000	Mudaraba financing US\$ '000	Investment in real estate US\$ '000	Ijarah Muntahia Bittamleek US\$ '000	Investments US\$ '000	Others US\$ '000	Total US\$ '000
At 1 January 2016	11,579	170,139	257,719	38,277	81,173	200,535	18,537	777,959
Deposits	187,871	146,030	259,867	926	6,773	28,816	25,473	655,756
Withdrawals	(106,642)	(89,967)	(249,141)	(1,369)	(10,562)	(69,990)	(26,079)	(553,750)
Income net of expenses	-	16,333	4,567	352	5,821	583	(1,004)	26,652
Mudarib's share	-	(1,984)	(1)	(40)	(183)	(163)	(86)	(2,457)
Foreign exchange translation	-	(9,627)	-	-	-	-	(6,418)	(16,045)
<b>At 30 September 2016</b>	<b>92,808</b>	<b>230,924</b>	<b>273,011</b>	<b>38,146</b>	<b>83,022</b>	<b>159,781</b>	<b>10,423</b>	<b>888,115</b>
At 1 January 2015	82,015	353,749	313,924	37,588	41,747	328,644	20,232	1,177,899
Deposits	100,807	80,983	482,767	3,967	37,008	112,303	15,362	833,197
Withdrawals	(87,515)	(301,315)	(539,892)	(611)	(7,784)	(85,964)	(21,946)	(1,045,027)
Income net of expenses	-	6,898	3,433	241	2,000	2,936	69	15,577
Mudarib's share	-	(1,748)	(1)	-	-	(955)	(727)	(3,431)
Foreign exchange translation	-	(24,964)	-	-	-	(39,331)	(7,340)	(71,635)
<b>At 30 September 2015</b>	<b>95,307</b>	<b>113,603</b>	<b>260,231</b>	<b>41,185</b>	<b>72,971</b>	<b>317,633</b>	<b>5,650</b>	<b>906,580</b>

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



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

At 30 September 2016 (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 Bahrain Bay, P.O. Box 1882, 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 nine month period ended 30 September 2016 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 2015. In addition, results for the nine month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments through statement of income, equity-type instruments through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The interim condensed consolidated financial statements are presented in United States Dollars ('US\$') being the functional and reporting currency of the Group. All values are rounded to the nearest US\$ thousand ('US\$ '000') unless otherwise indicated.

**Statement of compliance**

The annual consolidated financial statements for the year ended 31 December 2015 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"), given it does not contradict with Shari'a Rules and Principles and the conceptual framework of AAOIFI.

**Basis of consolidation**

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 30 September 2016. 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**

These interim condensed consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of FAS 27, which became effective from 1 January 2016.

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

At 30 September 2016 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**New standards, interpretations and amendments**

*FAS 27 - Investment Accounts*

The adoption of this standard require certain disclosures with respect to investment account holders and bases of profit allocation will be enhanced without having any significant impact on the financial statements of the Group.

**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 13 November 2016.

**3 RECEIVABLES**

	<i>Audited</i>
	<i>30 September 2016</i>
	<i>31 December 2015</i>
	<i>US\$ '000</i>
Sales (Murabaha) receivables	11,961,652
Ijarah receivables	59,459
Salam receivables	131,199
Istisna'a receivables	63,686
	<u>12,215,996</u>
	<u>11,959,052</u>

**4 MUDARABA AND MUSHARAKA FINANCING**

	<i>Audited</i>
	<i>30 September 2016</i>
	<i>31 December 2015</i>
	<i>US\$ '000</i>
Mudaraba financing	963,168
Musharaka financing	624,845
	<u>1,588,013</u>
	<u>1,558,593</u>

**5 INVESTMENTS**

	<i>Audited</i>
	<i>30 September 2016</i>
	<i>31 December 2015</i>
	<i>US\$ '000</i>
Equity and debt-type instruments at fair value through statement of income (5.1)	12,008
Equity-type instruments at fair value through equity (5.2)	108,500
Debt-type instruments at amortised cost (5.3)	3,083,392
	<u>3,203,900</u>
	<u>2,871,867</u>
Investment in real estate (5.4)	184,453
Investment in associates	49,610
	<u>3,437,963</u>
	<u>3,105,750</u>

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

At 30 September 2016 (Reviewed)

**5 INVESTMENTS (continued)**

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

	<i>30 September 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
<b>Quoted investments</b>		
Debts	4,059	12,467
Equities	5,864	822
<b>Unquoted investments</b>		
Equities	2,085	7,363
	<u>12,008</u>	<u>20,652</u>

**5.2 Equity-type instruments at fair value through equity**

	<i>30 September 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
<b>Quoted investments</b>		
Equities	44,312	40,780
Managed funds	18,764	18,364
	<u>63,076</u>	<u>59,144</u>
<b>Unquoted investments</b>		
Equities	38,474	40,814
Managed funds	9,872	6,901
	<u>48,346</u>	<u>47,715</u>
Provisions	(2,922)	(4,049)
	<u>108,500</u>	<u>102,810</u>

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

	<i>30 September 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
<b>Quoted investments</b>		
Sukuk and similar items	1,829,374	1,649,408
	<u>1,829,374</u>	<u>1,649,408</u>
<b>Unquoted investments</b>		
Sukuk and similar items	1,258,662	1,103,442
	<u>1,258,662</u>	<u>1,103,442</u>
Provisions	(4,644)	(4,445)
	<u>3,083,392</u>	<u>2,748,405</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\$ 3,095 million (31 December 2015: US\$ 2,821 million).

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

At 30 September 2016 (Reviewed)

**5 INVESTMENTS (continued)**

**5.4 Investment in real estate**

	<i>Audited</i>
	<i>30 September 2016</i>
	<i>31 December 2015</i>
	<i>US\$ '000</i>
	<i>US\$ '000</i>
Land	103,097
Buildings	81,356
	<u>184,453</u>
	<u>187,412</u>

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>
	<i>30 September 2016</i>
	<i>31 December 2015</i>
	<i>US\$ '000</i>
	<i>US\$ '000</i>
Beginning balance of the period / year	187,412
Acquisition	12,663
Net loss from fair value adjustments	(4,522)
Disposal	(9,166)
Foreign exchange translation - net	(1,934)
	<u>(2,959)</u>
Ending balance of the period / year	<u>184,453</u>
	<u>159,549</u>

**6 OTHER ASSETS**

	<i>Audited</i>
	<i>30 September 2016</i>
	<i>31 December 2015</i>
	<i>US\$ '000</i>
	<i>US\$ '000</i>
Bills receivable	151,113
Goodwill and intangible assets	96,013
Collateral pending sale	87,478
Prepayments	57,939
Deferred taxation	19,785
Good faith qard fund	18,975
Others	78,309
	<u>509,612</u>
Provisions	<u>(13,078)</u>
	<u>496,534</u>
	<u>454,702</u>
	<u>442,332</u>

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

At 30 September 2016 (Reviewed)

**7 LONG TERM FINANCING**

	<i>Audited</i>	
	<i>30 September 2016</i>	<i>31 December 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Murabaha financing	771,864	918,520
Subordinated financing obtained by a subsidiary	422,648	411,327
Wakala	164,829	167,361
	<b>1,359,341</b>	<b>1,497,208</b>

**8 OTHER LIABILITIES**

	<i>Audited</i>	
	<i>30 September 2016</i>	<i>31 December 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Payables	343,147	269,771
Cash margins	270,210	269,557
Managers' cheques	104,551	87,963
Other provisions	12,457	13,809
Current taxation	54,125	84,581
Deferred taxation	8,448	11,491
Accrued expenses	75,311	77,472
Charity fund	13,809	7,224
Others	66,012	40,576
	<b>948,070</b>	<b>862,444</b>

**9 COMMITMENTS AND CONTINGENCIES**

	<i>Audited</i>	
	<i>30 September 2016</i>	<i>31 December 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	3,040,638	3,105,059
Letters of credit	709,370	810,168
Acceptances	71,319	52,315
Undrawn commitments	662,118	654,138
Sharia'a compliant promise contracts	434,412	-
Others	252	249
	<b>4,918,109</b>	<b>4,621,929</b>

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

### 10 RELATED PARTY TRANSACTIONS AND BALANCES

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:

	<b>Directors and key management personnel</b>				<b>Other related parties</b>		<b>Nine months ended</b>	
	<b>Associated companies</b>	<b>Major shareholders</b>	<b>management personnel</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>30 September 2016</b>	<b>30 September 2015</b>	<b>US\$ '000</b>
Net income from jointly financed contracts and investments	1,458	-	83	-	-	1,541	1,774	-
Net income from self financed contracts and investments	-	36	-	-	-	36	233	-
Return on equity of investment accountholders	161	56	359	2	-	578	354	-
Fees and commission income	270	-	-	-	-	270	610	-

The significant balances with related parties were as follows:

	<b>Directors and key management personnel</b>			<b>Other related parties</b>		<b>Audited</b>	
	<b>Associated companies</b>	<b>Major shareholders</b>	<b>management personnel</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
<b>Assets</b>							
Receivables	1,987	-	780	-	-	2,767	10,679
Mudaraba and Musharaka financing	-	-	1,767	-	-	1,767	1,420
Investments	43,437	1,014	-	288	-	44,739	52,497
Ijarah Muntahia Bittamleek	-	-	629	-	-	629	740
Other assets	1,650	1	139	-	-	1,790	1,782
<b>Liabilities</b>							
Customer current and other accounts	5,133	2,738	743	73	-	8,687	10,844
Due to banks	-	-	-	-	-	-	4,262
Other liabilities	-	-	-	253	-	253	19,763
Equity of investment accountholders	7,581	6,259	27,491	66	-	41,397	29,373
Off-balance sheet equity of investment accountholders	13,047	9,403	6,886	-	-	29,336	23,896

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.

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (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 number of shares outstanding during the period as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2016</i>	<i>30 September 2015</i>	<i>30 September 2016</i>	<i>30 September 2015</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<u>35,035</u>	<u>36,400</u>	<u>116,421</u>	<u>121,072</u>
Number of shares outstanding at beginning of the period (in thousands)	1,140,805	1,107,333	1,140,832	1,107,357
Treasury shares effect (in thousands)	(721)	-	(440)	3
Bonus shares effect (in thousands)*	-	33,472	-	33,472
Number of shares outstanding at end of the period - (in thousands)	<u>1,140,085</u>	<u>1,140,805</u>	<u>1,140,392</u>	<u>1,140,832</u>
Earnings per share - US cents	<u>3.07</u>	<u>3.19</u>	<u>10.21</u>	<u>10.61</u>

\*The number of shares of the previous period has been adjusted on account of the bonus issue made during 2016.

### 12 OWNERS' EQUITY

	<i>30 September 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
<b>Share capital</b>		
Authorised:		
Ordinary shares 1,500,000,000 (2015: 1,500,000,000) of US\$ 1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid up:		
At beginning of the period / year		
1,115,746,069 (2015: 1,093,868,695) shares of US\$1 each	1,115,746	1,093,869
Issued during the period / year		
33,472,382 bonus shares (2015: 21,877,373) of US\$1 each	<u>33,472</u>	<u>21,877</u>
At end of the period / year		
1,149,218,452 (2015: 1,115,746,069) shares of US\$1 each	<u>1,149,218</u>	<u>1,115,746</u>

#### Appropriations

At the Annual General Meeting held on 20 March 2016 (2015: 23 March 2015), the shareholders of the Group resolved to distribute US\$ 22,315 thousand (2015: US\$ 32,816 thousand) as cash dividends and US\$ 33,472 thousand (2015: US\$ 21,877 thousand) as bonus shares.

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

### 12 OWNERS' EQUITY (continued)

#### Foreign currency translations

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

The following table summarises the subsidiary wise foreign currency translation balance.

Subsidiary	Currency	30 September	Audited 31 December
		2016	2015
		US\$ '000	US\$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	49,283	42,424
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	10,121	10,174
Al Baraka Bank Egypt (ABE)	Egyptian Pound	58,926	41,040
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	286,195	274,067
Al Baraka Bank Limited (ABL)	South African Rand	16,932	20,474
Al Baraka Bank Sudan (ABS)	Sudanese Pound	32,430	30,912
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	19,592	14,582
Al Baraka Bank Syria (ABBS)	Syrian Pound	33,638	28,275
		<b>507,117</b>	<b>461,948</b>

### 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 September 2016			Audited 31 December 2015		
	Assets US\$ '000	Liabilities US\$ '000	Equity of investment accountholders US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Equity of investment accountholders US\$ '000
Middle East	11,423,899	2,949,732	7,485,628	10,589,649	2,659,913	6,984,027
North Africa	2,325,259	1,049,975	1,005,817	2,489,812	1,113,612	1,084,982
Europe	9,525,800	3,325,756	5,456,573	10,035,619	3,733,314	5,586,129
Others	1,651,978	540,242	958,298	1,503,121	502,180	859,461
	<b>24,926,936</b>	<b>7,865,705</b>	<b>14,906,316</b>	<b>24,618,201</b>	<b>8,009,019</b>	<b>14,514,599</b>



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

At 30 September 2016 (Reviewed)

**13 SEGMENTAL INFORMATION (continued)**

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

	<i>Nine months ended</i>			<i>Nine months ended</i>		
	<i>30 September 2016</i>			<i>30 September 2015</i>		
	<i>Total</i>	<i>Net</i>	<i>Net</i>	<i>Total</i>	<i>Net</i>	<i>Net</i>
	<i>operating</i>	<i>operating</i>	<i>income</i>	<i>operating</i>	<i>operating</i>	<i>income</i>
	<i>income</i>	<i>income</i>	<i>income</i>	<i>income</i>	<i>income</i>	<i>income</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Segment</b>						
Middle East	335,297	163,372	98,092	302,171	153,423	82,060
North Africa	76,088	35,091	24,158	76,411	34,648	30,309
Europe	312,908	145,372	69,928	298,824	129,215	89,947
Others	64,609	17,867	11,662	60,611	16,176	11,771
	<b>788,902</b>	<b>361,702</b>	<b>203,840</b>	<b>738,017</b>	<b>333,462</b>	<b>214,087</b>

**14 CASH AND CASH EQUIVALENTS**

	<i>Nine months ended</i>	
	<i>30 September 2016</i>	<i>30 September 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Balances with central banks excluding mandatory reserve	1,484,236	1,592,262
Balances with other banks	424,564	751,728
Cash and cash in transit	726,228	710,244
	<b>2,635,028</b>	<b>3,054,234</b>

**15 SUBSEQUENT EVENT**

Subsequent to 30 September 2016, the Central Bank of Egypt announced the free-floating of the Egyptian Pound (EGP). The Bank has an operation in Egypt through its subsidiary Al Baraka Bank Egypt. As of 30 September 2016, the foreign currency translation balance related to EGP is US\$ 58 million (note 12). As of 10 November 2016, the EGP exchange rate against the dollar was 16.764. The effect of such decline in the EGP exchange rate with all other variables held constant on the interim consolidated statement of changes in owners' equity would be US\$ 110 million if such rate was used as of 30 September 2016. Further the management expect the impact on the consolidated statement of income will not be material for the current financial year ending 31 December 2016.