

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2015 (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 2015, 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 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.



9 August 2015  
Manama, Kingdom of Bahrain

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 (Reviewed)

		<i>Audited</i>
		<i>30 June</i>
		<i>31 December</i>
		<i>2015</i>
		<i>2014</i>
	<i>Notes</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with banks		5,206,334
Receivables	3	11,984,191
Mudaraba and Musharaka financing	4	1,335,974
Investments	5	2,954,605
Ijarah Muntahia Bittamleek		1,652,706
Property and equipment		368,502
Other assets	6	531,310
<b>TOTAL ASSETS</b>		<b>24,033,622</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer current and other accounts		4,536,178
Due to banks		1,389,044
Long term financing	7	1,119,516
Other liabilities	8	895,776
<b>Total liabilities</b>		<b>7,940,514</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>14,082,319</b>
<b>OWNERS' EQUITY</b>		
Share capital	12	1,115,746
Treasury shares		(8,406)
Share premium		17,645
Reserves		153,583
Cumulative changes in fair values		2,925
Foreign currency translations		(402,216)
Retained earnings		427,623
Proposed appropriations	12	-
<b>Equity attributable to parent's shareholders</b>		<b>1,306,900</b>
Non-controlling interest		703,889
<b>Total owners' equity</b>		<b>2,010,789</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>24,033,622</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 six months ended 30 June 2015 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June 2015 US\$ '000</i>	<i>30 June 2014 US\$ '000</i>	<i>30 June 2015 US\$ '000</i>	<i>30 June 2014 US\$ '000</i>
<b>INCOME</b>				
Net income from jointly financed contracts and investments	307,533	297,026	603,635	561,754
Return on equity of investment accountholders before Group's share as a Mudarib	(266,917)	(258,431)	(528,018)	(486,629)
Group's share as a Mudarib	93,788	80,991	184,580	153,937
Return on equity of investment accountholders	(173,129)	(177,440)	(343,438)	(332,692)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	134,404	119,586	260,197	229,062
Mudarib share for managing off-balance sheet equity of investment accountholders	1,364	2,791	2,091	3,489
Net income from self financed contracts and investments	83,670	57,294	143,121	108,488
Other fees and commission income	45,369	42,872	92,911	87,677
Other operating income	17,500	12,987	33,260	26,880
	282,307	235,530	531,580	455,596
Profit paid on long term financing	(17,786)	(3,137)	(29,199)	(10,319)
<b>TOTAL OPERATING INCOME</b>	<b>264,521</b>	<b>232,393</b>	<b>502,381</b>	<b>445,277</b>
<b>OPERATING EXPENSES</b>				
Staff expenses	77,115	67,765	157,394	147,334
Depreciation and amortisation	9,444	11,010	22,206	21,113
Other operating expenses	50,914	43,944	94,707	83,221
<b>TOTAL OPERATING EXPENSES</b>	<b>137,473</b>	<b>122,719</b>	<b>274,307</b>	<b>251,668</b>
<b>NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION</b>				
Net provisions	(13,140)	(6,608)	(23,207)	(678)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>	<b>113,908</b>	<b>103,066</b>	<b>204,867</b>	<b>192,931</b>
Taxation	(32,080)	(26,755)	(54,480)	(50,069)
<b>NET INCOME FOR THE PERIOD</b>	<b>81,828</b>	<b>76,311</b>	<b>150,387</b>	<b>142,862</b>
Attributable to:				
Equity holders of the parent	44,845	43,836	84,672	80,459
Non-controlling interest	36,983	32,475	65,715	62,403
	81,828	76,311	150,387	142,862
Basic and diluted earnings per share - US cents (note 11)				
	4.05	3.96	7.65	7.27



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 2015 (Reviewed)

	<i>Six months ended</i>	
	<b>30 June</b>	<b>30 June</b>
	<b>2015</b>	<b>2014</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period before taxation	<b>204,867</b>	192,931
Adjustments for:		
Depreciation and amortisation	<b>22,206</b>	21,113
Depreciation on Ijarah Muntahia Bittamleek	<b>95,386</b>	45,085
Unrealised gain on equity and debt-type instruments at fair value through statement of income	<b>(59)</b>	(341)
Gain on disposal of property and equipment	<b>(4,978)</b>	(2,410)
Gain on disposal of investment in real estate	<b>(49)</b>	(249)
Gain on disposal of equity-type instruments at fair value through equity	<b>(2,323)</b>	(1,804)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	<b>(1,186)</b>	(84)
Net provisions	<b>23,207</b>	678
Income from associates	<b>(897)</b>	(1,785)
Operating profit before changes in operating assets and liabilities	<b>336,174</b>	253,134
Net changes in operating assets and liabilities:		
Reserves with central banks	<b>(105,394)</b>	198,281
Receivables	<b>(11,534)</b>	(424,250)
Mudaraba and Musharaka financing	<b>212,769</b>	(73,447)
Ijarah Muntahia Bittamleek	<b>(253,293)</b>	(230,180)
Other assets	<b>(80,026)</b>	(54,630)
Customer current and other accounts	<b>26,865</b>	79,525
Due to banks	<b>177,551</b>	(112,790)
Other liabilities	<b>36,642</b>	127,275
Equity of investment accountholders	<b>(56,160)</b>	847,311
Taxation paid	<b>(65,240)</b>	(54,854)
Net cash from operating activities	<b>218,354</b>	555,375
<b>INVESTING ACTIVITIES</b>		
Net purchase of investments	<b>(376,360)</b>	(98,944)
Net (purchase) disposal of property and equipment	<b>(1,559)</b>	33,964
Dividend received from associates	<b>554</b>	549
Net disposal (purchase) of investment in associates	<b>6,660</b>	(17,213)
Net cash used in investing activities	<b>(370,705)</b>	(81,644)
<b>FINANCING ACTIVITIES</b>		
Dividends paid to equity holders of the parent	<b>(32,816)</b>	(36,690)
Net movement in treasury shares	<b>212</b>	257
Long term financing	<b>463,848</b>	117,154
Net change in non-controlling interest	<b>(33,075)</b>	(37,952)
Net cash from financing activities	<b>398,169</b>	42,769
Foreign currency translation adjustments	<b>(156,140)</b>	(12,107)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>89,678</b>	504,393
Cash and cash equivalents at 1 January	<b>2,735,121</b>	2,304,753
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE (note 14)</b>	<b>2,824,799</b>	2,809,146

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 2015 (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	-	(145)	357	-	-	-	-	-	-	212	-	212
Net movement in cumulative changes in fair values	-	-	-	-	-	(148)	-	-	-	(148)	(43)	(191)
Net movement in other reserves	-	-	-	-	5,962	-	-	-	-	5,962	1,827	7,789
Foreign currency translation	-	-	-	-	-	-	(88,614)	-	-	(88,614)	(67,526)	(156,140)
Net income for the period	-	-	-	-	-	-	-	84,672	-	84,672	65,715	150,387
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(33,075)	(33,075)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	(447)	-	(447)	447	-
<b>At 30 June 2015</b>	<b>1,115,746</b>	<b>(8,406)</b>	<b>17,645</b>	<b>108,311</b>	<b>45,272</b>	<b>2,925</b>	<b>(402,216)</b>	<b>427,623</b>	<b>-</b>	<b>1,306,900</b>	<b>703,889</b>	<b>2,010,789</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 2015 (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 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 (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)
At 30 June 2014	1,093,869	(8,457)	17,344	93,138	35,947	(1,956)	(239,252)	343,545	-	1,334,178	701,714	2,035,892

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 six months ended 30 June 2015 (Reviewed)

#### ACCOUNTHOLDERS:

	Cash US\$ '000	Sales receivables US\$ '000	Mudaraba financing US\$ '000	Investment in real estate US\$ '000	Ijarah Muntahia Bittamleek US\$ '000	Investments US\$ '000	Others US\$ '000	Total US\$ '000
At 1 January 2015	82,015	353,749	313,924	37,588	41,747	328,644	20,232	1,177,899
Deposits	23,650	25,631	261,263	4,051	20,764	71,288	22,464	429,111
Withdrawals	(68,373)	(55,940)	(272,580)	(241)	(4,821)	(215,657)	(19,350)	(636,962)
Income net of expenses	-	6,864	2,311	241	2,000	1,687	91	13,194
Mudarib's share	-	(1,602)	(54)	-	-	(403)	(32)	(2,091)
Foreign exchange translation	-	(18,095)	-	-	-	(14,304)	(5,559)	(37,958)
<b>At 30 June 2015</b>	<b>37,292</b>	<b>310,607</b>	<b>304,864</b>	<b>41,639</b>	<b>59,690</b>	<b>171,255</b>	<b>17,846</b>	<b>943,193</b>
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>

#### SUKUK HOLDERS:

	Commodity murabaha US\$ '000	Ijarah sukuk US\$ '000	Total US\$ '000
At 1 January 2014	-	-	-
Subscriptions	171,500	178,500	350,000
Withdrawals	-	-	-
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.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (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 2015 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 2014. In addition, results for the six month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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 and equity-type instruments through equity 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 2014 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 June 2015. 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 2014, except for the adoption of amendments and clarifications effective as of 1 January 2015.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****Significant accounting policies (continued)***FAS 23 - Consolidation*

The amendments introduced in FAS 23 is to give clarification on the way an Islamic financial institution (IFI) should determine if financial statements of an investee company, or a subsidiary, should be consolidated with its own. The amendment provides clarification that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the IFI that give de facto power over an entity, potential voting rights, or a combination of these factors. In terms of voting rights, the amendments also clarify that an IFI shall consider only substantive voting rights in its assessment of whether the institution has power over an entity. In order to be substantive, the voting rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. Determination of voting rights shall include current substantive voting rights and currently-exercisable voting rights.

The amendments and clarifications are effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives. The amendment had no impact on the consolidation of investments held by 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 9 August 2015.

**3 RECEIVABLES**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
Sales (Murabaha) receivables	11,759,175 11,761,908
Ijarah receivables	33,868 17,380
Salam receivables	141,031 163,173
Istisna'a receivables	50,117 57,086
	<u>11,984,191 11,999,547</u>

**4 MUDARABA AND MUSHARAKA FINANCING**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
Mudaraba financing	800,066 1,025,223
Musharaka financing	535,908 524,563
	<u>1,335,974 1,549,786</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

5 INVESTMENTS

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
Equity and debt-type instruments at fair value through statement of income (5.1)	19,780 17,510
Equity-type instruments at fair value through equity (5.2)	100,989 104,919
Debt-type instruments at amortised cost (5.3)	2,607,310 2,242,616
	<u>2,728,079 2,365,045</u>
Investment in real estate (5.4)	177,308 159,549
Investment in associates	49,218 55,440
	<u>2,954,605 2,580,034</u>

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

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
<b>Quoted investments</b>	
Debts	17,498 14,407
Equities	967 3,103
<b>Unquoted investments</b>	
Equities	1,315 -
	<u>19,780 17,510</u>

5.2 Equity-type instruments at fair value through equity

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
<b>Quoted investments</b>	
Equities	40,599 39,387
Managed funds	21,347 21,290
	<u>61,946 60,677</u>
<b>Unquoted investments</b>	
Equities	36,522 37,146
Managed funds	7,173 12,385
	<u>43,695 49,531</u>
Provisions	(4,652) (5,289)
	<u>100,989 104,919</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

5 INVESTMENTS (continued)

5.3 Debt-type instruments at amortised cost

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
<b>Quoted investments</b>	
Sukuk and similar items	1,368,967 1,222,215
	<u>1,368,967 1,222,215</u>
<b>Unquoted investments</b>	
Sukuk and similar items	1,240,101 1,024,248
	<u>1,240,101 1,024,248</u>
Provisions	(1,758) (3,847)
	<u><u>2,607,310 2,242,616</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\$ 2,728 million (31 December 2014: US\$ 2,438 million).

5.4 Investment in real estate

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
Land	95,154 83,048
Buildings	82,154 76,501
	<u>177,308 159,549</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 June 31 December</i>
	<i>2015 2014</i>
	<i>US\$ '000 US\$ '000</i>
Beginning balance of the period / year	159,549 139,350
Acquisition	18,701 34,803
Net (loss) gain from fair value adjustments	(224) 9,050
Disposal	(53) (21,413)
Foreign exchange translation - net	(665) (2,241)
	<u>17,759 20,199</u>
Ending balance of the period / year	<u><u>177,308 159,549</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

**6 OTHER ASSETS**

	<i>Audited</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Bills receivable	<b>210,915</b>	170,898
Goodwill and intangible assets	<b>111,446</b>	103,773
Collateral pending sale	<b>63,156</b>	75,951
Prepayments	<b>57,020</b>	38,036
Deferred taxation	<b>21,190</b>	19,793
Good faith qard fund	<b>13,469</b>	12,122
Ijarah asset	<b>846</b>	-
Others	<b>65,161</b>	41,681
	<b>543,203</b>	462,254
Provisions	<b>(11,893)</b>	(13,416)
	<b>531,310</b>	448,838

**7 LONG TERM FINANCING**

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 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.

During the period, the Bank has voluntarily taken measures to manage the market risk of the sukuk holders with respect to the assets portfolio, therefore, the assets of US\$ 178.5 million, representing 51% of the total sukuk subscriptions, has been recognised as part of the Group's assets and the corresponding sukuk subscriptions to the extent of these assets has been classified as long term financing.

**8 OTHER LIABILITIES**

	<i>Audited</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Payables	<b>307,218</b>	310,729
Cash margins	<b>257,941</b>	268,959
Managers' cheques	<b>93,958</b>	74,071
Other provisions	<b>14,812</b>	11,521
Current taxation	<b>68,173</b>	72,606
Accrued expenses	<b>69,578</b>	74,679
Deferred taxation	<b>4,602</b>	9,531
Charity fund	<b>5,963</b>	4,296
Others	<b>73,531</b>	46,308
	<b>895,776</b>	872,700

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

**9 COMMITMENTS AND CONTINGENCIES**

	<i>Audited</i>	
	<i>30 June 2015</i>	<i>31 December 2014</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Letters of credit	<b>752,254</b>	877,685
Guarantees	<b>3,325,825</b>	3,388,857
Acceptances	<b>76,668</b>	142,917
Undrawn commitments	<b>794,516</b>	811,528
Others	<b>94,056</b>	83,552
	<b>5,043,319</b>	5,304,539

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (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:

	Associated companies US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000	Other related parties US\$ '000	Six months ended	
					30 June 2015 US\$ '000	30 June 2014 US\$ '000
Net income from jointly financed contracts and investments	1,155	-	37	-	1,192	1,247
Net income from self financed contracts and investments	599	25	-	-	624	401
Return on equity of investment accountholders	-	26	12	-	38	395
Other fees and commission income	443	-	-	-	443	143

The significant balances with related parties were as follows:

	Associated companies US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000	Other related parties US\$ '000	30 June 2015 US\$ '000	Audited 31 December 2014 US\$ '000
<b>Assets</b>						
Receivables	9,586	-	579	-	10,165	8,794
Mudaraba and Musharaka financing	-	-	-	-	-	1,305
Investments	44,236	1,041	-	-	45,277	57,486
Ijarah Muntahia Bittamleek	-	-	827	-	827	933
Other assets	1,360	1	543	-	1,904	1,801
<b>Liabilities</b>						
Customer current and other accounts	11,230	2,315	1,103	73	14,721	14,878
Due to banks	3,939	15,000	-	-	18,939	15,101
Other liabilities	-	2	-	-	2	2,297
Equity of investment accountholders	10,871	7,606	4,256	64	22,797	34,578
Off-balance sheet equity of investment accountholders	3,808	9,919	638	566	14,931	22,860

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

At 30 June 2015 (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>	
	<b>30 June 2015</b>	<i>30 June 2014</i>	<b>30 June 2015</b>	<i>30 June 2014</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<b>44,845</b>	43,836	<b>84,672</b>	80,459
Weighted average number of shares outstanding at beginning of the period (in thousands)	<b>1,107,431</b>	1,085,617	<b>1,107,357</b>	1,085,469
Treasury shares effect (in thousands)	<b>(98)</b>	(222)	<b>25</b>	37
Bonus shares effect (in thousands)*	<b>-</b>	21,877	<b>-</b>	21,877
Weighted average number of shares outstanding at end of the period - (in thousands)	<b>1,107,333</b>	1,107,272	<b>1,107,382</b>	1,107,383
Earnings per share - US cents	<b>4.05</b>	3.96	<b>7.65</b>	7.27

\*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>	
	<b>30 June 2015 US\$ '000</b>	<i>31 December 2014 US\$ '000</i>
<b>Share capital</b>		
Authorised:		
Ordinary shares 1,500,000,000 (2014: 1,500,000,000) of US\$ 1 each	<b>1,500,000</b>	1,500,000
Issued and fully paid up:		
At beginning of the period / year		
1,093,868,695 (2014: 1,048,290,833) shares of US\$1 each	<b>1,093,869</b>	1,048,291
Issued during the period / year		
21,877,373 bonus shares (2014: 45,577,862) of US\$1 each	<b>21,877</b>	45,578
At end of the period / year		
1,115,746,068 (2014: 1,093,868,965) shares of US\$1 each	<b>1,115,746</b>	1,093,869

**Appropriations**

At the Annual General Meeting held on 23 March 2015 (2014: 23 March 2014), the shareholders of the Group resolved to distribute US\$ 32,816 thousand (2014: US\$ 36,690 thousand) as cash dividends and US\$ 21,877 thousand (2014: US\$ 45,578 thousand) as bonus shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (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 2015			Audited 31 December 2014		
	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	9,953,890	2,719,199	6,329,253	9,668,236	2,630,783	6,157,725
North Africa	2,310,952	987,771	1,055,307	2,448,620	1,023,181	1,106,558
Europe	10,072,751	3,702,304	5,671,856	9,665,187	3,127,066	5,801,091
Others	1,696,029	531,240	1,025,903	1,681,546	468,144	1,074,418
	<b>24,033,622</b>	<b>7,940,514</b>	<b>14,082,319</b>	<b>23,463,589</b>	<b>7,249,174</b>	<b>14,139,792</b>

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

Segment	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000
Middle East	202,373	101,867	55,322	164,751	72,745	49,262
North Africa	49,374	22,023	20,880	53,656	27,229	27,674
Europe	210,418	94,008	66,989	192,561	85,781	60,050
Others	40,216	10,176	7,196	34,309	7,854	5,876
	<b>502,381</b>	<b>228,074</b>	<b>150,387</b>	<b>445,277</b>	<b>193,609</b>	<b>142,862</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

**14 CASH AND CASH EQUIVALENTS**

	<i>Six months ended</i>	
	<b>30 June</b>	<b>30 June</b>
	<b>2015</b>	<b>2014</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Balances with central banks excluding mandatory reserve	<b>1,497,762</b>	1,261,281
Balances with other banks	<b>793,661</b>	1,086,491
Cash and cash in transit	<b>533,376</b>	461,374
	<b>2,824,799</b>	2,809,146

**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.