

**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>
		<i>30 June 31 December</i>
		<i>2014 2013</i>
	<i>Notes</i>	<i>US\$ '000 US\$ '000</i>
<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	297,026	262,666	561,754	524,185
Return on equity of investment accountholders before Group's share as a Mudarib	(258,431)	(245,985)	(486,629)	(469,153)
Group's share as a Mudarib	80,991	80,149	153,937	157,462
Return on equity of investment accountholders	(177,440)	(165,836)	(332,692)	(311,691)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	119,586	96,830	229,062	212,494
Mudarib share for managing off-balance sheet equity of investment accountholders	2,791	1,194	3,489	1,600
Net income from self financed contracts and investments	57,294	57,921	108,488	111,741
Profit paid on long term financing	(3,137)	-	(10,319)	-
Other fees and commission income	42,872	51,864	87,677	93,913
Other operating income	12,987	31,407	26,880	52,537
<b>TOTAL OPERATING INCOME</b>	<b>232,393</b>	<b>239,216</b>	<b>445,277</b>	<b>472,285</b>
Staff expenses	67,765	67,909	147,334	141,009
Depreciation and amortisation	11,010	9,758	21,113	19,193
Other operating expenses	43,944	49,770	83,221	84,751
<b>TOTAL OPERATING EXPENSES</b>	<b>122,719</b>	<b>127,437</b>	<b>251,668</b>	<b>244,953</b>
<b>NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION</b>	<b>109,674</b>	<b>111,779</b>	<b>193,609</b>	<b>227,332</b>
Net provisions	(6,608)	(13,351)	(678)	(37,619)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>	<b>103,066</b>	<b>98,428</b>	<b>192,931</b>	<b>189,713</b>
Taxation	(26,755)	(24,254)	(50,069)	(49,791)
<b>NET INCOME FOR THE PERIOD</b>	<b>76,311</b>	<b>74,174</b>	<b>142,862</b>	<b>139,922</b>
Attributable to:				
Equity holders of the parent	43,836	42,248	80,459	79,063
Non-controlling interest	32,475	31,926	62,403	60,859
	76,311	74,174	142,862	139,922
Basic and diluted earnings per share - US cents (note 11)	4.04	3.89	7.41	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 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	Proposed appropriations US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total owners' equity 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 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 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 murabaha US\$ '000	Ijarah sukuk US\$ '000	Total 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 2014 US\$ '000</i>	<i>Audited 31 December 2013 US\$ '000</i>
<b>Quoted investments</b>		
Equities	<b>36,389</b>	48,193
Managed funds	<b>18,680</b>	16,401
	<b>55,069</b>	64,594
<b>Unquoted investments</b>		
Equities	<b>32,217</b>	27,069
Managed funds	<b>8,649</b>	10,485
	<b>40,866</b>	37,554
Provisions	<b>(5,001)</b>	(5,061)
	<b>90,934</b>	97,087

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

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

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> <b>30 June 2014</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December 2013</b> <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> <b>30 June 2014</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December 2013</b> <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> <b>30 June 2014</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December 2013</b> <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 US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000	Other related parties US\$ '000	Six months ended	
					30 June 2014 US\$ '000	30 June 2013 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 US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000	Other related parties US\$ '000	Audited	
					30 June 2014 US\$ '000	31 December 2013 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 2014</i>	<i>30 June 2013</i>	<i>30 June 2014</i>	<i>30 June 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 2014 US\$ '000</i>	<i>31 December 2013 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 31 December 2013		
	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	9,047,307	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 30 June 2014			Six months ended 30 June 2013		
	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	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 2014 US\$ '000</i>	<i>30 June 2013 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.