

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2016 (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 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 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.



7 August 2016  
Manama, Kingdom of Bahrain

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 (Reviewed)

		<i>Audited</i>
		<i>30 June 31 December</i>
		<i>2016 2015</i>
	<i>Notes</i>	<i>US\$ '000 US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with banks		5,001,123 5,373,409
Receivables	3	12,431,603 11,959,052
Mudaraba and Musharaka financing	4	1,703,494 1,558,593
Investments	5	3,163,734 3,105,750
Ijarah Muntahia Bittamleek		1,783,258 1,734,457
Property and equipment		434,066 444,608
Other assets	6	527,074 442,332
<b>TOTAL ASSETS</b>		<b>25,044,352 24,618,201</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer current and other accounts		4,994,794 4,841,099
Due to banks		935,402 808,268
Long term financing	7	1,544,394 1,497,208
Other liabilities	8	983,761 862,444
<b>Total liabilities</b>		<b>8,458,351 8,009,019</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>14,445,766 14,514,599</b>
<b>OWNERS' EQUITY</b>		
Share capital	12	1,149,218 1,115,746
Treasury shares		(8,916) (8,464)
Share premium		18,520 17,662
Reserves		168,619 165,459
Cumulative changes in fair values		38,287 38,529
Foreign currency translations	12	(488,303) (461,948)
Retained earnings		510,961 433,631
Proposed appropriations	12	- 55,787
<b>Equity attributable to parent's shareholders</b>		<b>1,388,386 1,356,402</b>
Non-controlling interest		751,849 738,181
<b>Total owners' equity</b>		<b>2,140,235 2,094,583</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>25,044,352 24,618,201</b>



Saleh Abdullah Kamel  
Chairman



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


The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

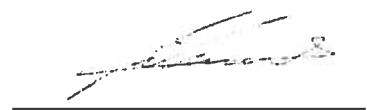
# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2016 (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>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>INCOME</b>				
Net income from jointly financed contracts and investments	327,877	307,533	655,686	603,635
Return on equity of investment accountholders before Group's share as a Mudarib	(285,631)	(266,917)	(561,741)	(528,018)
Group's share as a Mudarib	103,994	93,788	202,469	184,580
Return on equity of investment accountholders	(181,637)	(173,129)	(359,272)	(343,438)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	146,240	134,404	296,414	260,197
Mudarib share for managing off-balance sheet equity of investment accountholders	1,165	1,364	1,803	2,091
Net income from self financed contracts and investments	74,707	83,670	149,420	143,121
Fees and commission income	54,790	45,369	102,149	92,911
Other operating income	7,937	17,500	30,503	33,260
	284,839	282,307	580,289	531,580
Profit paid on long term financing	(22,257)	(17,786)	(42,071)	(29,199)
<b>TOTAL OPERATING INCOME</b>	<b>262,582</b>	<b>264,521</b>	<b>538,218</b>	<b>502,381</b>
<b>OPERATING EXPENSES</b>				
Staff expenses	79,812	77,115	173,956	157,394
Depreciation and amortisation	14,984	9,444	30,733	22,206
Other operating expenses	45,951	50,914	97,421	94,707
<b>TOTAL OPERATING EXPENSES</b>	<b>140,747</b>	<b>137,473</b>	<b>302,110</b>	<b>274,307</b>
<b>NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION</b>				
	121,835	127,048	236,108	228,074
Net provisions	(21,471)	(13,140)	(37,529)	(23,207)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>	<b>100,364</b>	<b>113,908</b>	<b>198,579</b>	<b>204,867</b>
Taxation	(26,153)	(32,080)	(55,532)	(54,480)
<b>NET INCOME FOR THE PERIOD</b>	<b>74,211</b>	<b>81,828</b>	<b>143,047</b>	<b>150,387</b>
Attributable to:				
Equity holders of the parent	43,587	44,845	81,386	84,672
Non-controlling interest	30,624	36,983	61,661	65,715
	74,211	81,828	143,047	150,387
Basic and diluted earnings per share - US cents (note 11)	3.82	3.93	7.14	7.42

  
 Saleh Abdullah Kamel  
 Chairman

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

The attached notes 1 to 14 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 2016 (Reviewed)

	<i>Six months ended</i>	
	<b>30 June 2016 US\$ '000</b>	<b>30 June 2015 US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period before taxation	198,579	204,867
Adjustments for:		
Depreciation and amortisation	30,733	22,206
Depreciation on Ijarah Muntahia Bittamleek	167,204	95,386
Unrealised gain on equity and debt-type instruments at fair value through statement of income	(99)	(59)
Gain on disposal of property and equipment	(1,414)	(4,978)
Gain on disposal of investment in real estate	(137)	(49)
Gain on disposal of equity-type instruments at fair value through equity	(1,762)	(2,323)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	(279)	(1,186)
Net provisions	37,529	23,207
Income from associates	(1,657)	(897)
Operating profit before changes in operating assets and liabilities	<b>428,697</b>	336,174
Net changes in operating assets and liabilities:		
Reserves with central banks	737,312	(105,394)
Receivables	(503,418)	(11,534)
Mudaraba and Musharaka financing	(150,023)	212,769
Ijarah Muntahia Bittamleek	(216,006)	(253,293)
Other assets	(97,633)	(80,026)
Customer current and other accounts	153,696	26,865
Due to banks	127,134	177,551
Other liabilities	151,775	36,642
Equity of investment accountholders	(66,597)	(56,160)
Taxation paid	(81,160)	(65,240)
Net cash from operating activities	<b>483,777</b>	218,354
<b>INVESTING ACTIVITIES</b>		
Net purchase of investments	(58,471)	(376,360)
Net purchase of property and equipment	(11,818)	(1,559)
Dividend received from associates	311	554
Net disposal of investment in associates	1,774	6,660
Net cash used in investing activities	<b>(68,204)</b>	(370,705)
<b>FINANCING ACTIVITIES</b>		
Dividends paid to equity holders of the parent	(22,143)	(32,816)
Net movement in treasury shares	406	212
Long term financing	47,186	463,848
Net change in non-controlling interest	(31,743)	(33,075)
Net cash (used in) from financing activities	<b>(6,294)</b>	398,169
Foreign currency translation adjustments	<b>(44,253)</b>	(156,140)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>365,026</b>	89,678
Cash and cash equivalents at 1 January	<b>2,292,689</b>	2,735,121
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE (note 14)</b>	<b>2,657,715</b>	2,824,799

The attached notes 1 to 14 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 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	-	(452)	858	-	-	-	-	-	-	-	406	-	406
Net movement in cumulative changes in fair values	-	-	-	-	-	(242)	-	-	-	-	(242)	(114)	(356)
Net movement in other reserves	-	-	-	-	3,160	-	-	-	-	-	3,160	1,763	4,923
Foreign currency translation	-	-	-	-	-	-	-	(26,355)	-	-	(26,355)	(17,898)	(44,253)
Net income for the period	-	-	-	-	-	-	-	-	81,386	-	81,386	61,661	143,047
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,085)	(31,085)
Allocation of Zakah	-	-	-	-	-	-	-	-	(4,228)	-	(4,228)	-	(4,228)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(659)	(659)
<b>At 30 June 2016</b>	<b>1,149,218</b>	<b>(8,916)</b>	<b>18,520</b>	<b>124,585</b>	<b>44,034</b>	<b>1,987</b>	<b>36,300</b>	<b>(488,303)</b>	<b>510,961</b>	<b>-</b>	<b>1,388,386</b>	<b>751,849</b>	<b>2,140,235</b>

The attached notes 1 to 14 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 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	-	(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	-
At 30 June 2015	1,115,746	(8,406)	17,645	108,311	45,272	2,925	(402,216)	427,623	-	1,306,900	703,889	2,010,789

The attached notes 1 to 14 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 2016 (Reviewed)

	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 2016	11,579	170,139	257,719	38,277	81,173	200,535	18,537	777,959
Deposits	165,928	115,210	260,873	629	8,375	8,291	24,083	583,389
Withdrawals	(114,510)	(78,600)	(237,763)	(199)	(9,620)	(66,842)	(26,138)	(533,672)
Income net of expenses	-	10,826	2,970	238	3,921	(671)	(550)	16,734
Mudarib's share	-	(1,384)	-	(40)	(183)	(136)	(60)	(1,803)
Foreign exchange translation	-	(11,285)	-	-	-	-	(5,181)	(16,466)
<b>At 30 June 2016</b>	<b>62,997</b>	<b>204,906</b>	<b>283,799</b>	<b>38,905</b>	<b>83,666</b>	<b>141,177</b>	<b>10,691</b>	<b>826,141</b>
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>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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 six month period ended 30 June 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 six month period ended 30 June 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 June 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 June 2016 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****Significant 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 7 August 2016.

**3 RECEIVABLES**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2016 2015</i>
	<i>US\$ '000 US\$ '000</i>
Sales (Murabaha) receivables	12,175,755 11,727,017
Ijarah receivables	59,978 34,832
Salam receivables	131,323 125,339
Istisna'a receivables	64,547 71,864
	<u>12,431,603 11,959,052</u>

**4 MUDARABA AND MUSHARAKA FINANCING**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2016 2015</i>
	<i>US\$ '000 US\$ '000</i>
Mudaraba financing	1,155,300 1,043,517
Musharaka financing	548,194 515,076
	<u>1,703,494 1,558,593</u>

**5 INVESTMENTS**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2016 2015</i>
	<i>US\$ '000 US\$ '000</i>
Equity and debt-type instruments at fair value through statement of income (5.1)	6,161 20,652
Equity-type instruments at fair value through equity (5.2)	117,069 102,810
Debt-type instruments at amortised cost (5.3)	2,801,301 2,748,405
	<u>2,924,531 2,871,867</u>
Investment in real estate (5.4)	193,161 187,412
Investment in associates	46,042 46,471
	<u>3,163,734 3,105,750</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

## 5 INVESTMENTS (continued)

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

	<i>30 June 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
<b>Quoted investments</b>		
Debts	5,092	12,467
Equities	921	822
<b>Unquoted investments</b>		
Equities	148	7,363
	<u>6,161</u>	<u>20,652</u>

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

	<i>30 June 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
<b>Quoted investments</b>		
Equities	52,049	40,780
Managed funds	19,568	18,364
	<u>71,617</u>	<u>59,144</u>
<b>Unquoted investments</b>		
Equities	38,383	40,814
Managed funds	10,010	6,901
	<u>48,393</u>	<u>47,715</u>
Provisions	(2,941)	(4,049)
	<u>117,069</u>	<u>102,810</u>

## 5.3 Debt-type instruments at amortised cost

	<i>30 June 2016 US\$ '000</i>	<i>Audited 31 December 2015 US\$ '000</i>
<b>Quoted investments</b>		
Sukuk and similar items	1,693,055	1,649,408
	<u>1,693,055</u>	<u>1,649,408</u>
<b>Unquoted investments</b>		
Sukuk and similar items	1,112,826	1,103,442
	<u>1,112,826</u>	<u>1,103,442</u>
Provisions	(4,580)	(4,445)
	<u>2,801,301</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\$ 2,813 million (31 December 2015: US\$ 2,821 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

5 INVESTMENTS (continued)

5.4 Investment in real estate

	<i>Audited</i>	<i>Audited</i>
	30 June 2016	31 December 2015
	US\$ '000	US\$ '000
Land	100,037	92,809
Buildings	93,124	94,603
	<u>193,161</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>Audited</i>
	30 June 2016	31 December 2015
	US\$ '000	US\$ '000
Beginning balance of the period / year	187,412	159,549
Acquisition	8,348	35,905
Net loss from fair value adjustments	(296)	(2,629)
Disposal	(347)	(4,719)
Foreign exchange translation - net	(1,956)	(694)
	<u>5,749</u>	<u>27,863</u>
Ending balance of the period / year	<u>193,161</u>	<u>187,412</u>

6 OTHER ASSETS

	<i>Audited</i>	<i>Audited</i>
	30 June 2016	31 December 2015
	US\$ '000	US\$ '000
Bills receivable	151,502	148,108
Goodwill and intangible assets	99,544	102,284
Collateral pending sale	89,855	65,069
Prepayments	61,905	60,594
Deferred taxation	19,075	19,331
Good faith qard fund	19,285	13,799
Others	98,702	45,517
	<u>539,868</u>	<u>454,702</u>
Provisions	(12,794)	(12,370)
	<u>527,074</u>	<u>442,332</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

**7 LONG TERM FINANCING**

	<i>Audited</i>	
	<i>30 June 2016</i>	<i>31 December 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Murabaha financing	955,461	918,520
Subordinated financing obtained by a subsidiary Wakala	427,885	411,327
	161,048	167,361
	<u>1,544,394</u>	<u>1,497,208</u>

**8 OTHER LIABILITIES**

	<i>Audited</i>	
	<i>30 June 2016</i>	<i>31 December 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Payables	330,936	269,771
Cash margins	307,605	269,557
Managers' cheques	93,789	87,963
Other provisions	13,020	13,809
Current taxation	62,246	84,581
Deferred taxation	7,942	11,491
Accrued expenses	69,921	77,472
Charity fund	11,092	7,224
Others	87,210	40,576
	<u>983,761</u>	<u>862,444</u>

**9 COMMITMENTS AND CONTINGENCIES**

	<i>Audited</i>	
	<i>30 June 2016</i>	<i>31 December 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	3,196,140	3,105,059
Letters of credit	840,515	810,168
Acceptances	109,937	52,315
Undrawn commitments	686,074	654,138
Sharia'a compliant promise contracts	391,408	-
Others	249	249
	<u>5,224,323</u>	<u>4,621,929</u>

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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:

	Directors and key management personnel			Other related parties	Six months ended	
	Associated companies	Major shareholders	Major management personnel		30 June 2016	30 June 2015
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net income from jointly financed contracts and investments	1,055	-	54	-	1,109	1,192
Net income from self financed contracts and investments	-	24	-	-	24	624
Return on equity of investment accountholders	-	24	177	-	201	38
Fees and commission income	199	-	-	-	199	443

The significant balances with related parties were as follows:

	Directors and key management personnel			Other related parties	Audited
	Associated companies	Major shareholders	Major management personnel		
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Assets</b>					
Receivables	7,568	-	405	-	10,679
Mudaraba and Musharaka financing	-	-	1,494	-	1,420
Investments	39,981	1,029	-	280	52,497
Ijarah Muntahia Bittamleek	-	-	674	-	740
Other assets	1,716	1	294	-	1,782
<b>Liabilities</b>					
Customer current and other accounts	6,646	8,192	906	73	10,844
Due to banks	1,163	25,379	-	-	4,262
Other liabilities	-	19,506	-	253	19,763
Equity of investment accountholders	6,973	6,520	8,661	66	29,373
Off-balance sheet equity of investment accountholders	19,674	9,552	5,529	-	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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>Six months ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>30 June 2015</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<b>43,587</b>	44,845	<b>81,386</b>	84,672
Number of shares outstanding at beginning of the period (in thousands)	<b>1,149,218</b>	1,115,746	<b>1,149,218</b>	1,115,746
Treasury shares effect (in thousands)	<b>(8,874)</b>	(8,413)	<b>(8,669)</b>	(8,364)
Bonus shares effect (in thousands)*	-	33,472	-	33,472
Number of shares outstanding at end of the period - (in thousands)	<b>1,140,344</b>	1,140,805	<b>1,140,549</b>	1,140,854
Earnings per share - US cents	<b>3.82</b>	3.93	<b>7.14</b>	7.42

\*The number of shares of the previous period has been adjusted on account of the bonus issue made during 2015.

12 OWNERS' EQUITY

	<i>Audited</i>	
	<i>30 June 2016 US\$ '000</i>	<i>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	<b>1,500,000</b>	1,500,000
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	<b>1,115,746</b>	1,093,869
Issued during the period / year		
33,472,382 bonus shares (2015: 21,877,373) of US\$1 each	<b>33,472</b>	21,877
At end of the period / year	<b>1,149,218</b>	1,115,746

**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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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.

<i>Subsidiary</i>	<i>Currency</i>	<i>Audited</i>	
		<i>30 June 2016</i>	<i>31 December 2015</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	50,227	42,424
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	10,216	10,174
Al Baraka Bank Egypt (ABE)	Egyptian Pound	58,058	41,040
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	265,029	274,067
Al Baraka Bank Limited (ABL)	South African Rand	19,777	20,474
Al Baraka Bank Sudan (ABS)	Sudanese Pound	32,430	30,912
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	19,953	14,582
Al Baraka Bank Syria (ABBS)	Syrian Pound	32,613	28,275
		<b>488,303</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:

<i>Segment</i>	<i>30 June 2016</i>			<i>Audited 31 December 2015</i>		
	<i>Assets</i>	<i>Liabilities</i>	<i>Equity of investment accountholders</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Equity of investment accountholders</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>
Middle East	10,977,644	3,006,215	7,003,690	10,589,649	2,659,913	6,984,027
North Africa	2,304,599	1,058,363	988,262	2,489,812	1,113,612	1,084,982
Europe	10,186,071	3,832,713	5,586,842	10,035,619	3,733,314	5,586,129
Others	1,576,038	561,061	866,972	1,503,121	502,180	859,461
	<b>25,044,352</b>	<b>8,458,352</b>	<b>14,445,766</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 June 2016 (Reviewed)

13 SEGMENTAL INFORMATION (continued)

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

	<i>Six months ended</i>			<i>Six months ended</i>		
	<i>30 June 2016</i>			<i>30 June 2015</i>		
	<i>Total operating income</i>	<i>Net operating income</i>	<i>Net income</i>	<i>Total operating income</i>	<i>Net operating income</i>	<i>Net 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	220,895	106,050	67,191	202,373	101,867	55,322
North Africa	53,086	24,152	14,917	49,374	22,023	20,880
Europe	220,100	92,395	50,935	210,418	94,008	66,989
Others	44,137	13,511	10,004	40,216	10,176	7,196
	<b>538,218</b>	<b>236,108</b>	<b>143,047</b>	<b>502,381</b>	<b>228,074</b>	<b>150,387</b>

14 CASH AND CASH EQUIVALENTS

	<i>Six months ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Balances with central banks excluding mandatory reserve	1,324,267	1,497,762
Balances with other banks	689,319	793,661
Cash and cash in transit	644,129	533,376
	<b>2,657,715</b>	<b>2,824,799</b>