

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
**Al Baraka Islamic Bank B.S.C. (c)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 September 2015 (REVIEWED)**



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## **REVIEW REPORT TO THE BOARD OF DIRECTORS OF AL BARAKA ISLAMIC BANK B.S.C. (c)**

### *Introduction*

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiary ("the Group") as of 30 September 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 nine month period then ended and explanatory notes. The Board of Directors is 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 the 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 November 2015  
Manama, Kingdom of Bahrain

**Al Baraka Islamic Bank B.S.C. (c)**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 September 2015 (Reviewed)

	Notes	30 September 2015 BD	Audited 31 December 2014 BD
<b>ASSETS</b>			
Cash and balances with banks and financial institutions		113,807,541	113,102,269
Sales receivables		199,094,198	234,113,368
Ijara Muntahia Bittamleek		97,599,921	83,332,277
Musharaka		50,025,781	43,875,915
Investments	3	191,151,887	166,623,548
Investments in real estate	4	2,252,041	2,252,041
Ijara income receivables		9,166,749	4,955,375
Premises and equipment		8,968,451	8,774,018
Goodwill		6,671,967	6,939,461
Other assets	5	23,502,700	27,834,656
<b>TOTAL ASSETS</b>		<b>702,241,236</b>	<b>691,802,928</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBT AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and financial institutions		56,493,047	34,083,711
Current accounts		74,493,810	79,852,371
Other liabilities	6	19,456,445	19,873,177
<b>Total liabilities</b>		<b>150,443,302</b>	<b>133,809,259</b>
<b>Equity of investment accountholders</b>		<b>478,668,162</b>	<b>486,218,081</b>
<b>Subordinated debt</b>	7	<b>8,457,593</b>	<b>7,731,680</b>
<b>Owners' Equity</b>			
Share capital		46,166,591	46,166,591
Reserves		7,004,685	7,862,702
Retained earnings		4,676,285	3,186,766
<b>Equity attributable to parent's shareholders</b>		<b>57,847,561</b>	<b>57,216,059</b>
Non-controlling interest		6,824,618	6,827,849
<b>Total owners' equity</b>		<b>64,672,179</b>	<b>64,043,908</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBT AND OWNERS' EQUITY</b>		<b>702,241,236</b>	<b>691,802,928</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>39,931,836</b>	<b>42,091,402</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	<b>94,836,091</b>	<b>102,814,596</b>

  
Khalid Rashid Al-Zayani  
Chairman

  
Adnan Ahmed Yousif  
Deputy Chairman

  
Mohammed Essa Al Mutawah  
Chief Executive Officer & Board Member

The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

# Al Baraka Islamic Bank B.S.C. (c)

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months period ended 30 September 2015 (Reviewed)

Notes	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	BD	BD	BD	BD
<b>INCOME</b>				
	3,250,511	4,118,472	11,070,647	12,380,126
Income from jointly financed sales				
Income from jointly financed, other				
financings and investments	9	3,754,417	3,598,149	11,839,850
Joint investment income		7,004,928	7,716,621	22,910,497
Return on equity of investment accountholders				
before Group's share as a Mudarib		(6,059,515)	(7,189,221)	(20,251,787)
Group's share as a Mudarib		1,723,497	1,351,328	5,096,397
Return on equity of investment accountholders		(4,336,017)	(5,837,893)	(15,155,390)
Group's share of income from equity				
of investment accountholders				
(as a Mudarib and Rabalmal)		2,668,911	1,878,728	7,755,107
Group's income from self financed sales		320,086	100,254	1,019,414
Group's income from self financed, other				
financings and investments	9	1,355,377	1,835,409	4,255,340
Revenue from banking services	10	713,725	646,320	2,130,928
Other income	11	256,749	159,922	790,286
Group's Mudarib/Agency fee from off-balance				
sheet equity of investment account holders		9,233	14,519	23,877
<b>TOTAL OPERATING INCOME</b>		<b>5,324,081</b>	<b>4,635,152</b>	<b>15,974,952</b>
<b>OPERATING EXPENSES</b>				
Staff expenses		(2,390,081)	(2,251,035)	(7,366,796)
Depreciation		(274,627)	(264,458)	(854,006)
Profit on due to banks and financial institutions		(17,775)	148	(23,030)
Other operating expenses		(1,969,340)	(1,674,749)	(5,803,592)
<b>TOTAL OPERATING EXPENSES</b>		<b>(4,651,822)</b>	<b>(4,190,094)</b>	<b>(14,047,424)</b>
<b>NET INCOME FOR THE PERIOD BEFORE</b>				
<b>PROVISION FOR IMPAIRMENT AND TAXATION</b>		<b>672,260</b>	<b>445,058</b>	<b>1,927,528</b>
Writeback / (provision) for impairment - net	12	156,443	(393,683)	372,086
<b>NET INCOME BEFORE TAXATION</b>		<b>828,703</b>	<b>51,375</b>	<b>2,299,614</b>
Taxation		(133,846)	107,428	(490,292)
<b>INCOME FOR THE PERIOD</b>		<b>694,856</b>	<b>158,803</b>	<b>1,809,322</b>
Attributable to:				
Equity shareholders of the Parent		580,025	198,785	1,489,519
Non-controlling interest		114,831	(39,982)	319,803
		<b>694,856</b>	<b>158,803</b>	<b>1,809,322</b>

  
Khalid Rashid Al-Zayani  
Chairman

  
Adnan Ahmed Yousof  
Deputy Chairman

  
Mohammed Essa Al Mutaweh  
Chief Executive Officer & Board Member

**Al Baraka Islamic Bank B.S.C. (c)**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the nine months period ended 30 September 2015 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2015</b>	<b>2014</b>
	<b>BD</b>	<b>BD</b>
<b>OPERATING ACTIVITIES</b>		
Net income before taxation	<b>2,299,614</b>	1,049,924
Adjustments for :		
Depreciation	<b>854,006</b>	820,353
(Writeback) / Provision for impairment	<b>(372,086)</b>	281,857
Gain on sale of premises and equipment	<b>(13,318)</b>	(13,768)
Gain on sale of investments	<b>(416,797)</b>	(1,224,142)
Unrealised remeasurement gain	<b>-</b>	(113,100)
Operating profit before changes in operating assets and liabilities	<b>2,351,419</b>	801,124
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	<b>(9,668,991)</b>	(23,543,811)
Sales receivables	<b>30,573,420</b>	6,976,774
Mudaraba financing	<b>-</b>	651,856
Ijara Muntahia Bittamleek	<b>(14,267,644)</b>	(21,258,699)
Musharaka	<b>(6,222,107)</b>	(9,746,459)
Ijara income receivables	<b>(4,267,470)</b>	(1,355,946)
Other assets	<b>4,059,959</b>	(8,037,182)
Other liabilities	<b>(416,732)</b>	(712,728)
Due to banks and financial institutions	<b>22,409,336</b>	(23,273,221)
Current accounts	<b>(5,358,561)</b>	1,731,932
Equity of investment accountholders	<b>(7,549,919)</b>	41,957,036
Tax paid	<b>(234,191)</b>	(117,953)
Net cash from (used in) operating activities	<b>11,408,519</b>	(35,927,277)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	<b>(85,877,800)</b>	(132,271,187)
Sale of investments	<b>62,658,959</b>	101,221,147
Net purchase of premises and equipment	<b>(1,035,120)</b>	(580,251)
Net cash used in investing activities	<b>(24,253,961)</b>	(31,630,291)
<b>FINANCING ACTIVITY</b>		
Subordinated debt	<b>725,913</b>	7,357,989
Net cash from financing activity	<b>725,913</b>	7,357,989
Foreign currency translation adjustments	<b>(790,403)</b>	444,614
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,909,932)</b>	(59,754,965)
Cash and cash equivalents at 1 January	<b>118,369,008</b>	190,129,921
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>105,459,076</b>	130,374,956
For the purpose of the interim cash flows statement, cash and cash equivalents comprise the following:		
Cash in hand	<b>8,060,663</b>	6,486,155
Balances with central banks	<b>7,145,055</b>	7,960,884
Balances with other banks and financial institutions	<b>63,852,853</b>	66,000,285
Sales receivables - international commodities	<b>26,400,505</b>	49,927,632
	<b>105,459,076</b>	130,374,956

The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**

For the nine months period ended 30 September 2015 (Reviewed)

*Equity attributable to shareholders of the Parent*

	Reserves										Total owners' equity
	Share capital	Statutory	General	Employee defined benefit plan	Cumulative changes in fair value	Foreign exchange	Retained earnings	Total	Non-controlling interest	BD	
Balance at 1 January 2015	46,166,591	8,286,598	3,275,053	(52,136)	(17,114)	(3,629,699)	3,186,766	57,216,059	6,827,849	64,043,908	
Cumulative changes in fair value	-	-	-	-	(79,605)	-	-	(79,605)	(43,547)	(123,152)	
Foreign currency translation reserve	-	-	-	-	-	(778,412)	-	(778,412)	(279,487)	(1,057,899)	
Net income for the period	-	-	-	-	-	-	1,489,519	1,489,519	319,803	1,809,322	
<b>Balance at 30 September 2015</b>	<b>46,166,591</b>	<b>8,286,598</b>	<b>3,275,053</b>	<b>(52,136)</b>	<b>(96,719)</b>	<b>(4,408,111)</b>	<b>4,676,285</b>	<b>57,847,561</b>	<b>6,824,618</b>	<b>64,672,179</b>	
Balance at 1 January 2014	46,166,591	8,235,835	3,275,053	-	(29,742)	(4,515,195)	2,729,898	55,862,440	6,266,901	62,129,341	
Cumulative changes in fair value	-	-	-	-	21,856	-	-	21,856	11,955	33,811	
Foreign currency translation reserve	-	-	-	-	-	460,951	-	460,951	157,215	618,166	
Net income for the period	-	-	-	-	-	-	695,639	695,639	197,482	893,121	
<b>Balance at 30 September 2014</b>	<b>46,166,591</b>	<b>8,235,835</b>	<b>3,275,053</b>	<b>-</b>	<b>(7,886)</b>	<b>(4,054,244)</b>	<b>3,425,537</b>	<b>57,040,886</b>	<b>6,633,553</b>	<b>63,674,439</b>	

The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

**Al Baraka Islamic Bank B.S.C. (c)**

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

For the nine months period ended 30 September 2015 (Reviewed)

	<i>Balance at 1 January 2015 BD</i>	<i>Net withdrawals BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 30 September 2015 BD</i>
Sales receivables	38,427,710	(2,593,531)	539,931	(23,877)	36,350,233
Investments	3,663,691	(82,089)	-	-	3,581,602
	<b>42,091,401</b>	<b>(2,675,620)</b>	<b>539,931</b>	<b>(23,877)</b>	<b>39,931,835</b>

  

	<i>Balance at 1 January 2014 BD</i>	<i>Net withdrawals BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 30 September 2014 BD</i>
Sales receivables	40,195,274	(1,132,242)	545,502	(37,298)	39,571,236
Investments	11,369,853	(7,679,921)	-	-	3,689,932
	<b>51,565,127</b>	<b>(8,812,163)</b>	<b>545,502</b>	<b>(37,298)</b>	<b>43,261,168</b>

The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

At 30 September 2015 (Reviewed)

**1 INCORPORATION AND PRINCIPAL ACTIVITY**

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Bank's licence number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has six commercial branches in the Kingdom of Bahrain. The Bank is 91% owned by Al Baraka Banking Group ("Ultimate Parent").

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha finance, Ijara financing and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Building 238, Road 1704, Block 317, Manama, Kingdom of Bahrain.

These interim condensed consolidated financial statements were approved by the Board of Directors on 9 November 2015.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The interim condensed consolidated financial statements for the nine month period ended 30 September 2015 have been prepared in accordance with the guidance given by International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014. In addition, results for the nine month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

**2.2 Accounting convention**

The interim condensed consolidated financial statements are prepared on historical cost basis, except for investment in real estate, debt-type instruments through profit or loss and equity-type instruments through equity that have been measured at fair value.

The interim condensed consolidated financial statements are presented in Bahraini Dinars (BD).

**2.3 Basis of consolidation**

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiary after elimination of inter company transactions and balances.

The following is the principle subsidiary of the Bank, which is consolidated in these interim consolidated financial statements:

<i>Bank</i>	<i>Ownership for 2015</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/offices at 30 September 2015</i>
<b>Held directly by the Bank</b>				
Al Baraka Bank (Pakistan) Limited*	64.64%	2004	Pakistan	135

\*Al Baraka Bank (Pakistan) Limited became a subsidiary on 21 December 2010.

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated 15 April 2009 required the minimum paid up capital (free of losses) for banks / development financial institutions (DFI) to be raised to Rs. 10 billion (BD 36.07 million). Further the banks / DFIs are also required to maintain a capital adequacy ratio of 10% at all times.



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

At 30 September 2015 (Reviewed)

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

**2.3 Basis of consolidation (continued)**

In order to meet the regulatory capital requirements, Al Baraka Bank (Pakistan) Limited (ABPL) prepared a capitalization plan which was submitted to SBP. The SBP vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 has allowed the Bank to proceed with the plan as follows:

i) The Bank is required to maintain a minimum paid up capital (net of losses) (MCR) of at least Rs 6 billion (BD 21.64 million) at all times and will have to meet the full MCR of Rs 10 billion (BD 36.08 million) by 31 December 2016.

ii) As a short term arrangement, ABPL has been allowed to raise a foreign currency sub-ordinated debt of BD 4.147 million from the Bank (Al Baraka Islamic Bank B.S.C. (c)). The said sub-ordinated debt shall be deposited with the SBP as interest free deposit till the time ABPL fully meets the minimum paid up capital requirements.

iii) The above foreign currency deposit with the SBP shall be increased to Rs 2.1 billion (BD 7.57 million) by 31 December 2014 and Rs 2.8 billion (BD 10.10 million) by 31 December 2015. Accordingly the Bank has injected Rs 86.51 million (BD 3.2 million) during the period ended.

iv) The foreign currency sub-ordinated debt will not be withdrawn unless ABPL achieves full compliance with MCR. However any withdrawal will be subject to prior approval of the SBP. In the event ABPL is not MCR complaint by 31 December 2016, the sub-ordinated debt will be converted into the paid up capital of ABPL.

v) For regulatory purposes, the foreign currency sub-ordinated debt is allowed to be included in ABPL's capital and ABPL will be required to maintain a capital adequacy ratio (CAR) of at least 16% which may be reduced depending on the level of increase in the MCR.

Further, the Bank as the Parent is fully committed to comply with the current and future regulatory requirements.

**Investment in Itqan Capital**

The Bank has ownership interest of 83.07% with Itqan Capital (the "Company"). The Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of the Company to the Ultimate Parent. The Bank has authorised the Ultimate Parent to represent it in the shareholders' meetings and to exercise control on the Company to do any or all acts and deeds and exercise all powers of the Bank pursuant to the Charter Document referred in the management agreement and or under any applicable laws.

The financial statements of the Company are not consolidated as it is controlled by the Ultimate Parent pursuant to the terms of the management agreement. The Ultimate Parent consolidates the financial statements of the Company in its consolidated financial statements which are prepared in accordance with AAOIFI standards and the same was approved by the CBB.

The investment acquired is initially recognised at cost, being the fair value of consideration given including acquisition charges associated with the investment. Subsequently, the investment is carried at cost less impairment losses, if any.

**2.4 New standards, interpretations and amendments adopted by the Group**

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 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.4 New standards, interpretations and amendments adopted by the Group (continued)****FAS 23 – Consolidation**

The amendment introduced to 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 Islamic financial institutions that give de facto power over an entity, potential voting rights, or a combination of these factors. In terms of voting rights, the amendment also clarifies that an Islamic financial institution 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.

**FAS 27 – Investment Accounts**

FAS 27 will replace FAS 5 - 'Disclosures of Bases for Profit Allocation between Owner's Equity and Investment Account Holders' and FAS 6 - 'Equity of Investment Account Holders and their Equivalent'. Upon adoption of this standard 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.

**3 INVESTMENTS**

	<b>30 September 2015</b>			<b>Audited 31 December 2014</b>		
	<i>Self financed BD</i>	<i>Jointly financed BD</i>	<i>Total BD</i>	<i>Self financed BD</i>	<i>Jointly financed BD</i>	<i>Total BD</i>

**i) Debt-type instruments at fair value through statement of income****Quoted**

Sukuk	-	-	-	-	7,658,450	7,658,450
	-	-	-	-	7,658,450	7,658,450

**i) Debt-type instruments at amortised cost****Quoted**

Sukuk	23,685,283	41,622,797	65,308,080	38,522,922	13,283,848	51,806,770
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**Unquoted**

Sukuk	54,431,783	42,163,849	96,595,632	27,466,260	51,994,059	79,460,319
	78,117,066	83,786,646	161,903,712	65,989,182	65,277,907	131,267,089

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

At 30 September 2015 (Reviewed)

**3 INVESTMENTS (continued)**

ii) Equity-type instruments at fair value through equity

Quoted

Listed equity shares

1,213,729	96,094	1,309,823	791,202	86,924	878,126
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Unquoted

Equity investments	21,859,535	188,299	22,047,834	21,880,930	195,848	22,076,778
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Managed funds	377,000	1,895,912	2,272,912	377,000	1,893,093	2,270,093
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Real estate related	3,314,363	1,429,900	4,744,263	3,272,438	1,429,900	4,702,338
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	<b>26,764,627</b>	<b>3,610,205</b>	<b>30,374,832</b>	<b>26,321,570</b>	<b>3,605,765</b>	<b>29,927,335</b>
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Less: Provision for impairment

(752,296)	(374,361)	(1,126,657)	(799,421)	(1,429,905)	(2,229,326)
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<b>Total Investments</b>	<b>104,129,397</b>	<b>87,022,490</b>	<b>191,151,887</b>	<b>91,511,331</b>	<b>75,112,217</b>	<b>166,623,548</b>
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Included in quoted equity type instruments, BD 1,241 thousand (2014: BD 815 thousand) of investments are fair valued using quoted prices in active markets;

Within unquoted investments which are held at fair value through equity are investments amounting to BD 28,207 thousand (2014: BD 26,847 thousand) which are held at cost less provision for impairment. These are investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

The Group's investments in Sukuk held at amortised cost amounting to BD 161,704 thousand (2014: BD 130,203 thousand ) has a fair value amounting to BD 161,290 thousand (2014: BD 129,744 thousand).

The investments stated at a carrying amount of BD 64,547 thousand (2014: BD 51,315 thousand) are given as collateral against the borrowing from a financial institution.

**4 INVESTMENTS IN REAL ESTATE**

	<b>30 September 2015 BD</b>	<i>Audited</i> <b>31 December 2014 BD</b>
Buildings	<b>2,252,041</b>	2,091,979
Changes in fair value	-	160,062
	<b>2,252,041</b>	<b>2,252,041</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Reviewed)

**5 OTHER ASSETS**

	<b>30 September 2015 BD</b>	<i>Audited</i> <b>31 December 2014 BD</b>
Deferred tax (note 5.1)	5,113,541	5,488,202
Collaterals pending sale	4,286,618	4,459,438
Advance against financing transactions	4,242,674	7,943,756
Income receivable	2,387,138	705,235
Advance against capital expenditure	2,061,403	2,312,991
Accounts receivable	1,347,255	2,810,226
Advance tax	803,205	932,129
Others	4,353,455	4,430,780
	<b>24,595,289</b>	<b>29,082,757</b>
Less: Provision for impairment	<b>(1,092,589)</b>	<b>(1,248,101)</b>
	<b>23,502,700</b>	<b>27,834,656</b>

**Note 5.1**

The above net deferred tax asset has been recognised in accordance with the Group's accounting policy. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

**6 OTHER LIABILITIES**

	<b>30 September 2015 BD</b>	<i>Audited</i> <b>31 December 2014 BD</b>
Margins received	4,953,265	5,816,515
Security deposit against Ijara Muntahia Bittamleek	4,511,803	3,842,865
Bills payable	3,190,145	2,550,563
Accounts payable	2,460,758	3,689,779
Provision for employees benefits	2,274,050	2,172,376
Charity fund	223,726	385,301
Others	1,842,698	1,415,778
	<b>19,456,445</b>	<b>19,873,177</b>

**7 SUBORDINATED DEBT**

During 2014, ABPL issued unsecured, sub-ordinated and privately placed Mudaraba Sukuk having a carrying amounting of BD 6,191 thousand as of 30 September 2015 (31 December 2014: BD 7,732 thousand). The issuance of Sukuk was to comply with regulatory requirements related to CAR as stated in note 2.3 to these interim consolidated financial statements. The tenor of the Sukuk is seven years maturing in 2021. The principal repayment, starting after six months of the drawdown date, would be made semi-annually on a straight line basis.

On 3 June 2015, the Ultimate Parent provided subordinated Murabaha financing having a carrying amount of BD 2,267 thousand as of 30 September 2015. The Murabaha facility availed is intended to support the capital adequacy ratio of the Group and is subordinated to all other liabilities. The tenor of the Murabaha is seven years maturing in 2022. The principal repayment of subordinated Murabaha will be upon maturity of the contract and is subject to CBB's prior approval.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Reviewed)

8 CONTINGENCIES AND COMMITMENTS

	<b>30 September 2015 BD</b>	<i>Audited</i> <b>31 December 2014 BD</b>
Letters of credit	35,762,408	32,043,431
Guarantees	27,372,115	25,372,728
Foreign exchange contracts	22,785,880	30,265,920
Acceptances	7,866,884	13,973,963
Taxation	911,632	891,715
Others	137,172	266,839
	<b>94,836,091</b>	<b>102,814,596</b>

9 INCOME FROM JOINTLY AND SELF FINANCED, OTHER FINANCINGS AND INVESTMENTS

	<i>Nine months ended 30 September</i>	
	<b>2015 BD</b>	<b>2014 BD</b>
Income from investments	6,439,117	6,092,470
Ijara Muntahia Bittamleek (note 9.1) - net	5,105,411	3,706,570
Musharaka	3,192,985	2,350,363
Istisna financing	881,630	490,586
Gain on sale of investments	416,796	1,224,142
Rental income	59,251	69,133
Mudaraba financing	-	1,718
	<b>16,095,190</b>	<b>13,934,982</b>

	<i>Nine months ended 30 September</i>	
	<b>2015 BD</b>	<b>2014 BD</b>
Income from jointly financed, other financings and investments	11,839,850	9,691,531
Income from self financed, other financings and investments	4,255,340	4,243,451
	<b>16,095,190</b>	<b>13,934,982</b>

9.1 Ijara Muntahia Bittamleek

	<i>Nine months ended 30 September</i>	
	<b>2015 BD</b>	<b>2014 BD</b>
Income from Ijara Muntahia Bittamleek	18,764,179	13,762,814
Depreciation on Ijara Muntahia Bittamleek	(13,658,768)	(10,056,244)
	<b>5,105,411</b>	<b>3,706,570</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Reviewed)

10 REVENUE FROM BANKING SERVICES

	<i>Nine months ended 30 September</i>	
	<b>2015</b>	<b>2014</b>
	<i>BD</i>	<i>BD</i>
Fees and commissions	<b>1,330,031</b>	1,245,271
Letters of credit and acceptances	<b>563,336</b>	618,794
Guarantees	<b>237,561</b>	198,988
	<b><u>2,130,928</u></b>	<u>2,063,053</u>

11 OTHER INCOME

	<i>Nine months ended 30 September</i>	
	<b>2015</b>	<b>2014</b>
	<i>BD</i>	<i>BD</i>
Foreign exchange gain - net	<b>398,271</b>	606,625
Fair value gain	-	113,100
Others	<b>392,015</b>	218,364
	<b><u>790,286</u></b>	<u>938,089</u>

12 WRITEBACK / (PROVISION) FOR IMPAIRMENT - NET

	<i>Nine months ended 30 September</i>	
	<b>2015</b>	<b>2014</b>
	<i>BD</i>	<i>BD</i>
Writeback / (Charge) of specific provision against non-performing assets - net	<b>536,745</b>	(225,306)
General provision charge	<b>(164,659)</b>	(56,550)
	<b><u>372,086</u></b>	<u>(281,856)</u>

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 two geographical segments, Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

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. Transactions between segments are conducted at estimated market rates on an arm's length basis.

The segmental results of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian</i>		<i>Total</i>	
	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>	<b>31 December</b>
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Assets	<b>370,058,688</b>	340,291,835	<b>332,182,548</b>	351,511,093	<b>702,241,236</b>	691,802,928
Liabilities, equity of investment accountholders and Subordinated debt	<b>332,397,463</b>	292,331,837	<b>305,171,594</b>	335,427,183	<b>637,568,057</b>	627,759,020

# Al Baraka Islamic Bank B.S.C. (c)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Reviewed)

### 13 SEGMENTAL INFORMATION (continued)

	<i>Middle East</i>		<i>Other Asian Countries</i>	
	<i>Nine months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Total operating income	7,232,244	5,706,516	8,742,708	8,314,110
Total operating expenses	(6,348,767)	(5,654,593)	(7,698,657)	(7,034,253)
Writeback / (provision) for impairment - net	21,425	282,711	350,661	(564,567)
Taxation	-	-	(490,292)	(156,803)
Net income for the period	904,902	334,634	904,420	558,487

### 14 RELATED PARTY TRANSACTIONS

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

The significant balances with related parties were as follows:

	<i>Shareholders</i>		<i>Other Related Parties</i>		<i>Total</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
<b>Assets:</b>						
Cash and balances with banks and financial institutions	48,728	14,362	85,882	76,325	134,610	90,687
Sales receivables	-	-	10,237,338	18,713,233	10,237,338	18,713,233
Ijara Muntahia Bittamleek	-	-	457,898	919,355	457,898	919,355
Musharaka	-	-	434,708	491,991	434,708	491,991
Ijara income receivables	-	-	444,315	24,123	444,315	24,123
Investments	-	-	27,109,555	27,334,314	27,109,555	27,334,314
Other assets	874,001	956,565	446,826	1,783,767	1,320,827	2,740,332
	922,729	970,927	39,216,522	49,343,108	40,139,251	50,314,035
<b>Liabilities:</b>						
Due to banks and other financial institutions	1,052,338	1,693,126	2,148,723	1,209,483	3,201,061	2,902,609
Current accounts	32,204	29,176	903,133	1,080,238	935,337	1,109,414
Other liabilities	2,372	7,873	437,786	70,124	440,158	77,997
	1,086,914	1,730,175	3,489,642	2,359,845	4,576,556	4,090,020
Equity of investment accountholders	6,123,598	3,327,426	22,227,899	25,285,573	28,351,495	28,612,999
Subordinated Debt	2,267,020	-	-	-	2,267,020	-
<b>OFF-BALANCE SHEET ITEMS:</b>						
Equity of investment accountholders	-	-	31,920,121	31,962,788	31,920,121	31,962,788
Contingencies and commitments	-	-	5,706,705	4,519,921	5,706,705	4,519,921

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

At 30 September 2015 (Reviewed)

**14 RELATED PARTY TRANSACTIONS (continued)**

The transactions with the related parties included in the statement of income are as follows:

	<i>Shareholders</i>		<i>Other Related Parties</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
<b>Income</b>						
Income from jointly financed sales	-	-	349,210	389,419	349,210	389,419
Income from jointly financed, other financings and investments	-	-	62,931	82,498	62,931	82,498
Group's income from self financed, other financings	-	-	270,630	118,353	270,630	118,353
Other income	162,416	162,416	-	-	162,416	162,416
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	23,877	-	-	37,298	23,877	37,298
	<b>186,293</b>	<b>162,416</b>	<b>682,771</b>	<b>627,568</b>	<b>869,064</b>	<b>789,984</b>
<b>Expenses</b>						
Return on equity of investment accountholders before Group's share as a Mudarib	13,790	13,345	236,544	345,867	250,334	359,212
Other expenses	22,310	-	317,835	246,058	340,145	246,058
	<b>36,100</b>	<b>13,345</b>	<b>554,379</b>	<b>591,925</b>	<b>590,479</b>	<b>605,270</b>

Compensation of key management personnel is as follows:

	<i>Nine months ended 30 September</i>	
	<i>2015</i>	<i>2014</i>
	<i>BD</i>	<i>BD</i>
Salaries	1,049,154	914,294
Other benefits	673,488	544,737
	<b>1,722,642</b>	<b>1,459,031</b>

**15 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the consolidated statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.



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

At 30 September 2015 (Reviewed)

**15 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

**16 COMPARATIVE FIGURES**

Certain of the prior period's figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification did not affect previously reported net income or owner's equity.