

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2015 (REVIEWED)**

## **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 June 2015, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the six month period then ended and explanatory notes. The Board of Directors 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.




3 August 2015  
Manama, Kingdom of Bahrain

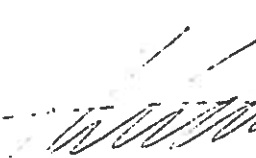
Al Baraka Islamic Bank B.S.C. (c)


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 (Reviewed)

	Notes	30 June 2015 BD	Audited 31 December 2014 BD
<b>ASSETS</b>			
Cash and balances with banks and financial institutions		133,562,904	113,102,269
Sales receivables		218,877,719	234,113,368
Ijara Muntahia Bittamleek		95,398,443	83,332,277
Musharaka		50,986,651	44,975,915
Investments	3	180,799,721	165,523,548
Investments in real estate	4	2,252,041	2,252,041
Ijara income receivables		7,957,877	4,955,375
Premises and equipment		8,822,701	8,774,018
Goodwill		6,851,125	6,939,461
Other assets	5	26,498,947	27,834,656
<b>TOTAL ASSETS</b>		<b>732,008,129</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		49,088,859	34,083,711
Current accounts		96,508,769	79,852,371
Other liabilities	6	20,086,361	19,873,177
<b>Total liabilities</b>		<b>165,683,989</b>	<b>133,809,259</b>
<b>Equity of investment accountholders</b>		<b>492,202,521</b>	<b>486,218,081</b>
<b>Subordinated debt</b>	7	<b>9,314,093</b>	<b>7,731,680</b>
<b>Owners' Equity</b>			
Share capital		46,166,591	46,166,591
Reserves		7,604,678	7,862,702
Retained earnings		4,096,260	3,186,766
<b>Equity attributable to parent's shareholders</b>		<b>57,867,529</b>	<b>57,216,059</b>
Non-controlling interest		6,939,997	6,827,849
<b>Total owners' equity</b>		<b>64,807,526</b>	<b>64,043,908</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBT AND OWNERS' EQUITY</b>		<b>732,008,129</b>	<b>691,802,928</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>39,727,114</b>	<b>42,091,402</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	<b>99,197,389</b>	<b>102,814,596</b>

  
Khalid Rashid Al-Zayani  
Chairman

  
Adnan Ahmed Yousif  
Deputy Chairman

  
Mohammed Essa Al Mutaweh  
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 six months period ended 30 June 2015 (Reviewed)

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2015 BD	2014 BD	2015 BD	2014 BD
<b>INCOME</b>					
Income from jointly financed sales		3,694,709	3,218,417	7,820,136	7,295,321
Income from jointly financed, other financings and investments	9	4,049,089	3,997,726	8,085,433	7,059,714
Joint investment income		7,743,798	7,216,143	15,905,569	14,355,035
Return on equity of investment accountholders before Group's share as a Mudarib		(6,718,082)	(6,420,071)	(14,192,272)	(12,984,427)
Group's share as a Mudarib		1,636,864	1,276,682	3,372,900	2,772,092
Return on equity of investment accountholders		(5,081,218)	(5,143,389)	(10,819,372)	(10,212,335)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		2,662,580	2,072,755	5,086,197	4,142,700
Group's income from self financed sales		407,970	408,302	699,328	617,053
Group's income from self financed, other financings and investments	9	1,475,572	953,865	2,899,963	2,408,042
Revenue from banking services	10	769,953	663,762	1,417,202	1,416,733
Other income	11	260,512	303,081	533,537	778,167
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders		5,490	13,626	14,643	22,779
<b>TOTAL OPERATING INCOME</b>		<b>5,582,077</b>	<b>4,415,391</b>	<b>10,650,870</b>	<b>9,385,474</b>
<b>OPERATING EXPENSES</b>					
Staff expenses		(2,618,619)	(2,147,607)	(4,976,715)	(4,400,879)
Depreciation		(294,427)	(277,388)	(579,379)	(555,895)
Profit on due to banks and financial institutions		(5,065)	(498)	(5,255)	(1,021)
Other operating expenses		(2,028,306)	(1,927,043)	(3,834,252)	(3,540,959)
<b>TOTAL OPERATING EXPENSES</b>		<b>(4,946,417)</b>	<b>(4,352,536)</b>	<b>(9,395,601)</b>	<b>(8,498,754)</b>
<b>NET INCOME FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION</b>					
		635,660	62,855	1,255,269	886,720
(Provision) / writeback for impairment - net	12	(53,317)	544,694	215,643	111,827
<b>NET INCOME BEFORE TAXATION</b>		<b>582,343</b>	<b>607,549</b>	<b>1,470,912</b>	<b>998,547</b>
Taxation		(139,285)	(208,481)	(356,446)	(264,231)
<b>INCOME FOR THE PERIOD</b>		<b>443,058</b>	<b>399,068</b>	<b>1,114,466</b>	<b>734,316</b>
Attributable to:					
Equity shareholders of the parent		405,576	218,411	909,494	496,853
Non-controlling interest		37,482	180,657	204,972	237,463
		<b>443,058</b>	<b>399,068</b>	<b>1,114,466</b>	<b>734,316</b>

  
Khalid Rashid Al-Zayani  
Chairman

  
Adnan Ahmed Yousif  
Deputy Chairman

  
Mohammed Essa Al Mutaweh  
Chief Executive Officer & Board Member

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2015 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2015</b>	<b>2014</b>
	<b>BD</b>	<b>BD</b>
<b>OPERATING ACTIVITIES</b>		
Net income before taxation	1,470,912	998,547
Adjustments for :		
Depreciation	579,379	555,895
Writeback for impairment	(215,643)	(111,826)
Gain on sale of premises and equipment	(13,768)	(10,930)
Gain on sale of investments	(481,146)	(908,728)
Unrealised remeasurement gain	-	(113,100)
Operating profit before changes in operating assets and liabilities	<b>1,339,734</b>	<b>409,858</b>
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	(12,918,862)	(20,429,574)
Sales receivables	25,243,020	(20,547,997)
Mudaraba financing	-	647,939
Ijara Muntahia Bittamleek	(12,066,166)	(11,698,992)
Musharaka	(5,974,484)	(9,279,833)
Ijara income receivables	(3,031,276)	(322,256)
Other assets	1,124,096	(9,076,573)
Other liabilities	213,184	4,027,714
Due to banks and financial institutions	15,005,148	(24,029,262)
Current accounts	16,656,398	50,536,128
Equity of investment accountholders	5,984,440	(382,063)
Taxation paid	(161,157)	(40,003)
Net cash from (used in) operating activities	<b>31,414,075</b>	<b>(40,184,914)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(56,741,168)	(87,068,575)
Sale of investments	42,769,139	71,515,207
Net purchase of premises and equipment	(614,294)	(686,597)
Net cash used in investing activities	<b>(14,586,323)</b>	<b>(16,239,965)</b>
<b>FINANCING ACTIVITY</b>		
Subordinated debt	1,582,413	-
Net cash from financing activity	<b>1,582,413</b>	<b>-</b>
Foreign currency translation adjustments	(251,024)	1,202,472
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,159,141</b>	<b>(55,222,407)</b>
Cash and cash equivalents at 1 January	<b>118,369,010</b>	<b>190,129,921</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>136,528,151</b>	<b>134,907,514</b>
For the purpose of the interim cash flows statement, cash and cash equivalents comprise the following:		
Cash in hand	8,579,725	7,245,615
Balances with central banks	10,616,519	8,567,701
Balances with other banks and financial institutions	76,367,819	62,352,847
Sales receivables - international commodities	40,964,088	56,741,351
	<b>136,528,151</b>	<b>134,907,514</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 CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months period ended 30 June 2015 (Reviewed)

Equity attributable to shareholders of the parent

	Reserves										Non-controlling interest	Total owners' equity
	Share capital	Statutory	General	Employee defined benefit plan	Cumulative changes in fair value	Foreign exchange	Retained earnings	Total	Non-controlling interest	Total owners' equity		
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	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	-	-	-	-	(7,426)	-	-	(7,426)	(4,062)	(11,488)		
Foreign currency translation reserve	-	-	-	-	-	(250,598)	-	(250,598)	(88,762)	(339,360)		
Net income for the period	-	-	-	-	-	-	909,494	909,494	204,972	1,114,466		
<b>Balance at 30 June 2015</b>	<b>46,166,591</b>	<b>8,286,598</b>	<b>3,275,053</b>	<b>(52,136)</b>	<b>(24,540)</b>	<b>(3,880,297)</b>	<b>4,096,260</b>	<b>57,867,529</b>	<b>6,939,997</b>	<b>64,807,526</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	-	-	-	-	13,203	-	-	13,203	7,222	20,425		
Foreign currency translation reserve	-	-	-	-	-	1,214,155	-	1,214,155	425,194	1,639,349		
Net income for the period	-	-	-	-	-	-	496,853	496,853	237,463	734,316		
<b>Balance at 30 June 2014</b>	<b>46,166,591</b>	<b>8,235,835</b>	<b>3,275,053</b>	<b>-</b>	<b>(16,539)</b>	<b>(3,301,040)</b>	<b>3,226,751</b>	<b>57,586,651</b>	<b>6,936,780</b>	<b>64,523,431</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 six months period ended 30 June 2015 (Reviewed)

	<i>Balance at 1 January 2015 BD</i>	<i>Cumulative changes in fair value BD</i>	<i>Net withdrawals BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 30 June 2015 BD</i>
Sales						
receivables	38,427,710	-	(2,602,033)	336,820	(14,643)	36,147,854
Investments	3,663,691	-	(84,431)	-	-	3,579,260
	<b>42,091,401</b>	<b>-</b>	<b>(2,686,464)</b>	<b>336,820</b>	<b>(14,643)</b>	<b>39,727,114</b>
	<i>Balance at 1 January 2014 BD</i>	<i>Cumulative changes in fair value BD</i>	<i>Net deposits/ (withdrawals) BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 30 June 2014 BD</i>
Sales						
receivables	40,195,274	-	15,026,051	333,159	(22,779)	55,531,705
Investments	11,369,853	2,423	(7,499,962)	-	-	3,872,314
	<b>51,565,127</b>	<b>2,423</b>	<b>7,526,089</b>	<b>333,159</b>	<b>(22,779)</b>	<b>59,404,019</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 June 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 3 August 2015.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The interim condensed consolidated financial statements for the six month period ended 30 June 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 six month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

**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 June 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 37.04 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 June 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 22.22 million) at all times and will have to meet the full MCR of Rs 10 billion (BD 37.04 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 7.78 million) by 31 December 2014 and Rs 2.8 billion ( BD 10.37 million ) by 31 December 2015. Accordingly the Bank has injected Rs 86.51 million (BD 3.20 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 compliant 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

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

**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.

**3 INVESTMENTS**

	<b>30 June 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>
<b>i) Debt-type instruments at fair value through statement of income</b>						
<b>Quoted</b>						
Sukuk	-	-	-	-	7,658,450	7,658,450
	-	-	-	-	7,658,450	7,658,450
<b>i) Debt-type instruments at amortised cost</b>						
<b>Quoted</b>						
Sukuk	51,557,333	21,055,856	72,613,189	38,522,922	13,283,848	51,806,770
<b>Unquoted</b>						
Sukuk	36,409,911	43,834,668	80,244,579	27,466,260	51,994,059	79,460,319
	87,967,244	64,890,524	152,857,768	65,989,182	65,277,907	131,267,089

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

## 3 INVESTMENTS (continued)

	30 June 2015			Audited 31 December 2014		
	Self financed BD	Jointly financed BD	Total BD	Self financed BD	Jointly financed BD	Total BD
	<b>ii) Equity-type instruments at fair value through equity</b>					
<b>Quoted</b>						
Listed equity shares	1,047,023	94,092	1,141,115	791,202	86,924	878,126
<b>Unquoted</b>						
Equity Investments	21,859,535	193,355	22,052,890	21,880,930	195,848	22,076,778
Managed funds	377,000	1,894,962	2,271,962	377,000	1,893,093	2,270,093
Real estate related	3,292,195	329,900	3,622,095	3,272,438	329,900	3,602,338
	<b>26,575,753</b>	<b>2,512,309</b>	<b>29,088,062</b>	<b>26,321,570</b>	<b>2,505,765</b>	<b>28,827,335</b>
Less: Provision for impairment	(563,796)	(582,313)	(1,146,109)	(799,421)	(1,429,905)	(2,229,326)
<b>Total investments</b>	<b>113,979,201</b>	<b>66,820,520</b>	<b>180,799,721</b>	<b>91,511,331</b>	<b>74,012,217</b>	<b>165,523,548</b>

Included in quoted equity type instruments, BD 1,070 thousand (2014: BD 429 thousand) of investments are fair valued using quoted prices in active markets for identical instruments;

Within unquoted investments which are held at fair value through equity are investments amounting to BD 27,079 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 152,651 thousand (2014: BD 128,003 thousand ) has a fair value amounting to BD 151,963 thousand (2014: BD 128,480 thousand).

The investments stated at a carrying amount of BD 37,322 thousand (2014: BD 18,758 thousand) are given as collateral against the borrowing from a financial institution.

## 4 INVESTMENTS IN REAL ESTATE

	30 June 2015 BD	Audited 31 December 2014 BD
	Buildings	2,252,041
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 June 2015 (Reviewed)

## 5 OTHER ASSETS

	<i>30 June</i> <i>2015</i> <i>BD</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>BD</i>
Deferred tax (note 5.1)	5,276,533	5,488,202
Advance against financing transactions	4,877,286	7,943,756
Collaterals pending sale	4,401,724	4,459,438
Accounts receivable	3,379,516	2,810,226
Advance against capital expenditure	2,375,863	2,312,991
Income receivable	1,783,181	705,235
Advance tax	866,782	932,129
Others	4,659,990	4,430,780
	<b>27,620,875</b>	<b>29,082,757</b>
Less: Provision for impairment	<b>(1,121,928)</b>	<b>(1,248,101)</b>
	<b>26,498,947</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

	<i>30 June</i> <i>2015</i> <i>BD</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>BD</i>
Accounts payable	3,406,758	3,689,779
Margins received	4,609,133	5,816,515
Security deposit against Ijara Muntahia Bittamleek	4,450,882	3,842,865
Bills payable	3,392,474	2,550,563
Provision for employees benefits	2,027,910	2,103,788
Charity fund	267,950	385,301
Others	1,931,254	1,484,366
	<b>20,086,361</b>	<b>19,873,177</b>

## 7 SUBORDINATED DEBT

During 2014, ABPL issued unsecured, sub-ordinated and privately placed mudaraba sukuks having a carrying amounting of BD 7,047 thousand (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 carrying amount of BD 2,267 thousand. The murabaha facility availed is intended to support the capital adequacy ratio of the Group 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 June 2015 (Reviewed)

**8 CONTINGENCIES AND COMMITMENTS**

	<i>30 June</i> <i>2015</i> <i>BD</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>BD</i>
Foreign exchange contracts	34,209,395	30,265,920
Letters of credit	30,105,965	32,043,431
Guarantees	26,183,627	25,372,728
Acceptances	7,547,811	13,973,963
Taxation	936,111	891,715
Others	214,480	266,839
	<u>99,197,389</u>	<u>102,814,596</u>

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

	<i>30 June</i> <i>2015</i> <i>BD</i>	<i>30 June</i> <i>2014</i> <i>BD</i>
Income from investments	4,345,627	4,529,459
Ijara Muntahia Bittamleek (note 9.1) - net	3,196,514	2,375,375
Musharaka	2,258,806	1,349,376
Istisna financing	665,091	256,040
Gain on sale of investments	481,148	908,729
Rental income	38,210	43,622
Mudaraba financing	-	5,155
	<u>10,985,396</u>	<u>9,467,756</u>
	<i>30 June</i> <i>2015</i> <i>BD</i>	<i>30 June</i> <i>2014</i> <i>BD</i>
Income from jointly financed, other financings and investments	8,085,433	7,059,714
Income from self financed, other financings and investments	2,899,963	2,408,042
	<u>10,985,396</u>	<u>9,467,756</u>

**9.1 Ijara Muntahia Bittamleek**

	<i>30 June</i> <i>2015</i> <i>BD</i>	<i>30 June</i> <i>2014</i> <i>BD</i>
Income from Ijara Muntahia Bittamleek	12,654,484	8,226,902
Depreciation on Ijara Muntahia Bittamleek	(9,457,970)	(5,851,527)
	<u>3,196,514</u>	<u>2,375,375</u>

**10 REVENUE FROM BANKING SERVICES**

	<i>30 June</i> <i>2015</i> <i>BD</i>	<i>30 June</i> <i>2014</i> <i>BD</i>
Fees and commissions	842,669	830,657
Letters of credit and acceptances	386,743	434,089
Guarantees	187,790	151,987
	<u>1,417,202</u>	<u>1,416,733</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

11 OTHER INCOME

	30 June 2015 BD	30 June 2014 BD
Foreign exchange gain - net	244,610	515,542
Fair value gain	-	113,100
Others	288,927	149,525
	<u>533,537</u>	<u>778,167</u>

12 (PROVISION) / WRITEBACK FOR IMPAIRMENT - NET

	30 June 2015 BD	30 June 2014 BD
Writeback of specific provision against non-performing assets - net	313,663	130,676
General provision charge	(98,020)	(18,850)
	<u>215,643</u>	<u>111,826</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>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</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>
Assets	377,126,564	340,291,835	354,881,565	351,511,093	732,008,129	691,802,928
Liabilities, equity of investment accountholders and Subordinated debt	339,656,289	292,331,837	327,544,314	335,427,183	667,200,603	627,759,020
	<i>Middle East</i>		<i>Other Asian Countries</i>			
	<i>Six months ended</i>		<i>Six months ended</i>			
	<i>30 June</i>		<i>30 June</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>
Total operating income	4,748,251	3,849,169	5,902,619	5,536,305		
Total operating expenses	(4,300,437)	(3,767,562)	(5,095,164)	(4,731,192)		
Writeback / (provision) for impairment - net	86,980	(18,850)	128,663	130,677		
Taxation	-	-	(356,446)	(264,231)		
Net income for the period	534,794	62,757	579,672	671,559		

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

## 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:

	Shareholders		Other Related Parties		Total	
	30 June 2015 BD	31 December 2014 BD	30 June 2015 BD	31 December 2014 BD	30 June 2015 BD	31 December 2014 BD
<b>Assets:</b>						
Cash and balances with banks and financial institutions	14,056	14,362	99,747	76,325	113,803	90,687
Sales receivables	-	-	18,972,102	18,713,233	18,972,102	18,713,233
Ijara Muntahia Bittamleek	-	-	622,351	919,355	622,351	919,355
Musharaka	-	-	404,500	491,991	404,500	491,991
Ijara income receivables	-	-	287,341	24,123	287,341	24,123
Investments	-	-	27,216,461	27,334,314	27,216,461	27,334,314
Other assets	970,581	956,565	498,745	1,783,767	1,469,326	2,740,332
	<b>984,637</b>	<b>970,927</b>	<b>48,101,247</b>	<b>49,343,108</b>	<b>49,085,884</b>	<b>50,314,035</b>
<b>Liabilities:</b>						
Due to banks and other financial institutions	1,177,448	1,693,126	3,230,872	1,209,483	4,408,320	2,902,609
Current accounts	28,750	29,176	905,128	1,080,238	933,878	1,109,414
Other liabilities	2,435	7,873	210,144	70,124	212,579	77,997
	<b>1,208,633</b>	<b>1,730,175</b>	<b>4,346,144</b>	<b>2,359,845</b>	<b>5,554,777</b>	<b>4,090,020</b>
<b>Equity of investment acountholders</b>	<b>3,283,663</b>	<b>3,327,426</b>	<b>24,164,887</b>	<b>25,285,573</b>	<b>27,448,550</b>	<b>28,612,999</b>
<b>Subordinated Debt</b>	<b>2,267,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,267,020</b>	<b>-</b>
<b>OFF-BALANCE SHEET ITEMS:</b>						
<b>Equity of investment acountholders</b>	<b>-</b>	<b>-</b>	<b>31,717,010</b>	<b>31,962,788</b>	<b>31,717,010</b>	<b>31,962,788</b>
<b>Contingencies and commitments</b>	<b>-</b>	<b>-</b>	<b>6,052,074</b>	<b>4,519,921</b>	<b>6,052,074</b>	<b>4,519,921</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

14 RELATED PARTY TRANSACTIONS (continued)

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

	Shareholders		Other Related Parties		Total	
	2015	2014	2015	2014	2015	2014
	BD	BD	BD	BD	BD	BD
<b>Income</b>						
Income from jointly financed sales	-	-	234,389	258,334	234,389	258,334
Income from jointly financed, other financings and investments	-	-	35,366	40,483	35,366	40,483
Group's income from self financed, other financings	-	-	187,269	5,155	187,269	5,155
Other income	108,277	108,277	-	-	108,277	108,277
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	14,644	-	-	22,779	14,644	22,779
	<b>122,921</b>	<b>108,277</b>	<b>457,024</b>	<b>326,751</b>	<b>579,945</b>	<b>435,028</b>
<b>Expenses</b>						
Return on equity of investment accountholders before Group's share as a Mudarib	8,597	11,511	141,774	245,287	150,371	256,798
Other expenses	-	-	211,132	164,481	211,132	164,481
	<b>8,597</b>	<b>11,511</b>	<b>352,906</b>	<b>409,768</b>	<b>361,503</b>	<b>421,279</b>

Compensation of key management personnel is as follows:

	Six months ended 30 June	
	2015	2014
	BD	BD
Salaries	698,513	608,378
Other benefits	472,282	381,213
	<b>1,170,795</b>	<b>989,591</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 June 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

In the Group's interim condensed consolidated financial statements for the period ended 30 June 2015 certain comparative amounts have been reclassified to conform with the presentation in the current period. The following reclassification did not result in any changes to the previously reported profit or equity:

	<i>Previously reported</i> <i>BD</i>	<i>Reclassification</i> <i>BD</i>	<i>As reported herein</i> <i>BD</i>
<b>Cash and cash equivalents</b>			
Balances with central banks in mandatory reserves	-	20,429,574	20,429,574
Balances with central banks	28,997,275	(20,429,574)	8,567,701
	<u>28,997,275</u>	<u>-</u>	<u>28,997,275</u>