

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 June 2016 (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 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 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.



8 August 2016  
Manama, Kingdom of Bahrain

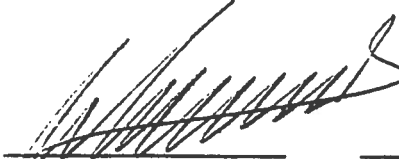
Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 (Reviewed)

	Notes	30 June 2016 BD '000	Audited 31 December 2015 BD '000
<b>ASSETS</b>			
Cash and balances with banks and financial institutions		84,892	89,303
Sales receivables		231,484	229,851
Ijara Muntahia Bittamleek		104,904	100,432
Musharaka		61,250	58,156
Investments	3	180,922	169,958
Investments in real estate	4	2,252	2,252
Ijara income receivables		10,237	8,847
Premises and equipment		9,338	9,456
Goodwill		6,651	6,657
Other assets	5	27,752	24,262
<b>TOTAL ASSETS</b>		<b>719,682</b>	<b>699,174</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and financial institutions		38,812	42,275
Current accounts		94,820	87,685
Other liabilities	6	27,133	25,842
<b>Total liabilities</b>		<b>160,765</b>	<b>155,802</b>
<b>Equity of investment accountholders</b>		<b>475,257</b>	<b>469,212</b>
<b>Subordinated debts</b>	7	<b>17,689</b>	<b>8,566</b>
<b>Owners' Equity</b>			
Share capital		46,167	46,167
Reserves		7,569	7,644
Retained earnings		5,541	4,873
<b>Equity attributable to parent's shareholders</b>		<b>59,277</b>	<b>58,684</b>
Non-controlling interest		6,694	6,910
<b>Total owners' equity</b>		<b>65,971</b>	<b>65,594</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY</b>		<b>719,682</b>	<b>699,174</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>33,924</b>	<b>39,260</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	<b>101,031</b>	<b>81,803</b>

  
Khalid Rashid Al-Zayani  
Chairman

  
Adnan Ahmed Yousif  
Deputy Chairman


  
Mohammed Essa Al Mutaweh  
Chief Executive Officer & Board Member

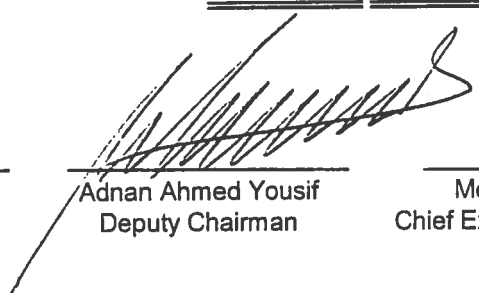
The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months period ended 30 June 2016 (Reviewed)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 BD '000	2015 BD '000	2016 BD '000	2015 BD '000
<b>INCOME</b>					
Income from jointly financed sales		3,136	4,042	5,984	8,485
Income from jointly financed, other financings and investments	9	3,505	3,702	6,995	7,421
Income from jointly financed assets		6,641	7,744	12,979	15,906
Return on equity of investment accountholders before Group's share as a Mudarib		(5,359)	(6,718)	(10,476)	(14,192)
Group's share as a Mudarib		1,442	1,637	2,950	3,372
Return on equity of investment accountholders		(3,917)	(5,081)	(7,526)	(10,820)
<b>Group's share as a Mudarib and Rabalmaal</b>		<b>2,724</b>	<b>2,663</b>	<b>5,453</b>	<b>5,086</b>
Group's income from self financed sales		180	408	291	699
Group's income from self financed, other financings and investments	9	1,226	1,475	2,406	2,900
Revenue from banking services	10	1,432	770	2,489	1,417
Other income	11	270	261	612	534
Group's Mudarib/Agency fee from off-balance sheet equity of investment account holders		6	5	15	15
<b>TOTAL OPERATING INCOME</b>		<b>5,838</b>	<b>5,582</b>	<b>11,266</b>	<b>10,651</b>
<b>OPERATING EXPENSES</b>					
Staff expenses		(2,853)	(2,619)	(5,509)	(4,977)
Depreciation		(279)	(294)	(562)	(579)
Other operating expenses		(2,293)	(2,034)	(4,457)	(3,840)
<b>TOTAL OPERATING EXPENSES</b>		<b>(5,425)</b>	<b>(4,947)</b>	<b>(10,528)</b>	<b>(9,396)</b>
<b>NET INCOME FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION</b>		<b>413</b>	<b>635</b>	<b>738</b>	<b>1,255</b>
(Provision) / reversal of impairment - net	12	(671)	(53)	(499)	216
<b>NET (LOSS) INCOME BEFORE TAXATION</b>		<b>(258)</b>	<b>582</b>	<b>239</b>	<b>1,471</b>
Taxation		267	(139)	250	(357)
<b>NET INCOME FOR THE PERIOD</b>		<b>9</b>	<b>443</b>	<b>489</b>	<b>1,114</b>
Attributable to:					
Equity shareholders of the Parent		219	406	668	909
Non-controlling interest		(210)	37	(179)	205
		<b>9</b>	<b>443</b>	<b>489</b>	<b>1,114</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 2016 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2016</b>	<b>2015</b>
	<b>BD '000</b>	<b>BD '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income before taxation	239	1,471
Adjustments for :		
Depreciation	562	579
Provision / (reversal) of impairment - net	499	(216)
Gain on sale of premises and equipment	(5)	(14)
Gain on sale of investments	(110)	(481)
Dividend income	(32)	(32)
Operating profit before changes in operating assets and liabilities	<b>1,153</b>	1,307
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	10,782	(12,919)
Sales receivables	7,598	25,243
Ijara Muntahia Bittamleek	(4,472)	(12,066)
Musharaka	(3,095)	(5,974)
Ijara income receivables	(1,216)	(3,031)
Other assets	(3,088)	1,126
Other liabilities	1,299	213
Due to banks and financial institutions	(3,463)	15,005
Current accounts	7,135	16,656
Equity of investment accountholders	6,045	5,984
Tax paid	(152)	(161)
Net cash from operating activities	<b>18,526</b>	31,383
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(21,128)	(56,741)
Sale of investments	10,252	42,769
Dividend received	32	31
Net purchase of premises and equipment	(439)	(614)
Net cash used in investing activities	<b>(11,283)</b>	(14,555)
<b>FINANCING ACTIVITY</b>		
Subordinated debts	9,123	1,582
Net cash from financing activity	<b>9,123</b>	1,582
Foreign currency translation adjustments	(25)	(251)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16,341</b>	18,159
Cash and cash equivalents at 1 January	<b>103,424</b>	118,369
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>119,765</b>	136,528
For the purpose of the interim cash flows statement, cash and cash equivalents comprise the following:		
Cash in hand	11,585	8,579
Balances with central banks	7,720	10,617
Balances with other banks and financial institutions	36,281	76,368
Sales receivables - international commodities	64,179	40,964
	<b>119,765</b>	136,528

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 2016 (Reviewed)

Equity attributable to shareholders of the Parent

Reserves

	Share capital	Statutory	General	Employee defined benefit plan	Cumulative changes in fair value	Revaluation reserve of premises and equipment	Foreign exchange	Retained earnings	Total	Non-controlling interest	Total owners' equity
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000

Balance at 1 January 2016	46,167	8,474	3,275	(65)	(46)	450	(4,444)	4,873	58,684	6,910	65,594
Cumulative changes in fair value	-	-	-	-	(58)	-	-	-	(58)	(31)	(89)
Foreign currency translation reserve	-	-	-	-	-	-	(22)	-	(22)	(9)	(31)
Remeasurement gains on defined benefit plan	-	-	-	5	-	-	-	-	5	3	8
Net income (loss) for the period	-	-	-	-	-	-	-	668	668	(179)	489
<b>Balance at 30 June 2016</b>	<b>46,167</b>	<b>8,474</b>	<b>3,275</b>	<b>(60)</b>	<b>(104)</b>	<b>450</b>	<b>(4,466)</b>	<b>5,541</b>	<b>59,277</b>	<b>6,694</b>	<b>65,971</b>

Balance at 1 January 2015	46,167	8,287	3,275	(52)	(17)	-	(3,630)	3,187	57,217	6,828	64,045
Cumulative changes in fair value	-	-	-	-	(8)	-	-	-	(8)	(4)	(12)
Foreign currency translation reserve	-	-	-	-	-	-	(251)	-	(251)	(89)	(340)
Net income for the period	-	-	-	-	-	-	-	909	909	205	1,114
<b>Balance at 30 June 2015</b>	<b>46,167</b>	<b>8,287</b>	<b>3,275</b>	<b>(52)</b>	<b>(25)</b>	<b>-</b>	<b>(3,881)</b>	<b>4,096</b>	<b>57,867</b>	<b>6,940</b>	<b>64,807</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 2016 (Reviewed)

	<i>Balance at 1 January 2016 BD '000</i>	<i>Net (withdrawals)/ deposits BD '000</i>	<i>Gross income BD '000</i>	<i>Mudarib's/ agency fee BD '000</i>	<i>Balance at 30 June 2016 BD '000</i>
Sales receivables	35,693	(5,665)	335	(15)	30,348
Investments	3,567	8	-	-	3,575
	<b>39,260</b>	<b>(5,657)</b>	<b>335</b>	<b>(15)</b>	<b>33,923</b>

	<i>Balance at 1 January 2015 BD '000</i>	<i>Net withdrawals BD '000</i>	<i>Gross income BD '000</i>	<i>Mudarib's/ agency fee BD '000</i>	<i>Balance at 30 June 2015 BD '000</i>
Sales receivables	38,428	(2,602)	337	(15)	36,148
Investments	3,664	(84)	-	-	3,580
	<b>42,092</b>	<b>(2,686)</b>	<b>337</b>	<b>(15)</b>	<b>39,728</b>

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

At 30 June 2016 (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 seven 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 8 August 2016.

**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 2016 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 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.

**2.2 Accounting convention**

The interim condensed consolidated financial statements are prepared on historical cost basis, except for investment in real estate, equity-type instruments through equity and land owned by the Bank (classified as premises and equipment) that have been measured at fair value.

The interim condensed consolidated financial statements are presented in Bahraini Dinars, being the reporting currency of the Group. All values are rounded of nearest Bahraini Dinars (BD) thousand unless otherwise indicated.

**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 2016</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 30 June 2016</i>
<b><i>Held directly by the Bank</i></b>				
Al Baraka Bank (Pakistan) Limited*	64.64%	2004	Pakistan	150 branches (including 14 sub-branches)

\*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 35.96 million). Further the banks / DFIs are also required to maintain a capital adequacy ratio of 10% at all times.



## 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) ABPL is required to maintain a minimum paid up capital (net of losses) (MCR) of at least Rs 6 billion (BD 21.58 million) at all times and will have to meet the full MCR of Rs 10 billion (BD 35.96 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 million from the Bank (Al Baraka Islamic Bank B.S.C. (c)). The said sub-ordinated debt is deposited with 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 7.55 million) by 31 December 2014 and Rs 2.8 billion (BD 10.07 million) by 31 December 2015. Accordingly the Bank has injected BD 4 million and BD 3.2 million on 30 December 2013 and 29 April 2015 respectively.

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.

As of 30 June 2016, ABPL's MCR for regulatory purposes amounts to Rs. 8 billion (BD 28.77 million) as against the required level of Rs. 9 billion (BD 32.37 million). In this regard, ABPL is evaluating the acquisition / merger of a local Islamic bank which is likely to meet the aforementioned requirements related to MCR and CAR. Furthermore, SBP has allowed ABPL to maintain the CAR of 13.25% at current MCR level.

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 2015, except for adoption of new standards and interpretations effective as of 1 January 2016.

At 30 June 2016 (Reviewed)

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

## FAS 27 – Investment Accounts

FAS 27 has replaced 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'. As a result of 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, which will be made in the annual consolidated financial statements of the Group for the year ending 31 December 2016.

**3 INVESTMENTS**

	30 June 2016			Audited 31 December 2015		
	Self	Jointly	Total	Self	Jointly	Total
	financed	financed		financed	financed	
BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	
<b>i) Debt-type instruments at amortised cost</b>						
<b>Quoted</b>						
Sukuk	20,463	37,758	58,221	23,424	37,274	60,698
<b>Unquoted</b>						
Sukuk	70,969	21,461	92,430	71,031	9,797	80,828
	<b>91,432</b>	<b>59,219</b>	<b>150,651</b>	<b>94,455</b>	<b>47,071</b>	<b>141,526</b>
<b>ii) Equity-type instruments at fair value through equity</b>						
<b>Quoted</b>						
Listed equity shares	1,076	130	1,206	1,060	104	1,164
<b>Unquoted</b>						
Equity investments	22,752	188	22,940	21,637	188	21,825
Managed funds	377	1,885	2,262	377	1,885	2,262
Real estate related	2,879	1,865	4,744	3,240	1,064	4,304
	<b>27,084</b>	<b>4,068</b>	<b>31,152</b>	<b>26,314</b>	<b>3,241</b>	<b>29,555</b>
Less: Provision for impairment	(714)	(167)	(881)	(752)	(371)	(1,123)
<b>Total investments</b>	<b>117,802</b>	<b>63,120</b>	<b>180,922</b>	<b>120,017</b>	<b>49,941</b>	<b>169,958</b>

Included in quoted equity type instruments, BD 1,122 thousand (2015: BD 1,088 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 29,431 thousand (2015: BD 27,531 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 150,368 thousand (2015: BD 141,337 thousand) has a fair value amounting to BD 149,634 thousand (2015: BD 140,050 thousand).

Investments stated at a carrying amount of BD 53,483 thousand (2015: BD 60,698 thousand) are placed in custody of a financial institution against a borrowing line.

At 30 June 2016 (Reviewed)

**4 INVESTMENTS IN REAL ESTATE**

	<i>Audited</i>
	<i>31 December</i>
	<i>2015</i>
	<i>BD '000</i>
<i>30 June</i>	
<i>2016</i>	
<i>BD '000</i>	
Buildings	2,252
	<u>2,252</u>

**5 OTHER ASSETS**

	<i>Audited</i>
	<i>31 December</i>
	<i>2015</i>
	<i>BD '000</i>
<i>30 June</i>	
<i>2016</i>	
<i>BD '000</i>	
Advance against financing transactions	4,761
Collaterals pending sale	6,508
Deferred tax (note 5.1)	5,013
Advance against capital expenditure	2,006
Accounts receivable	1,958
Advance tax	802
Income receivable	317
Others	3,987
	<u>25,352</u>
Less: Provision for impairment	(1,090)
	<u>27,752</u>

**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>Audited</i>
	<i>31 December</i>
	<i>2015</i>
	<i>BD '000</i>
<i>30 June</i>	
<i>2016</i>	
<i>BD '000</i>	
Margins received	6,593
Accounts payable	6,654
Security deposit against Ijara Muntahia Bittamleek	4,804
Bills payable	3,181
Provision for employees benefits	2,786
Charity fund	219
Others	1,605
	<u>25,842</u>
	<u>27,133</u>

**7 SUBORDINATED DEBTS**

	<i>Audited</i>
	<i>31 December</i>
	<i>2015</i>
	<i>BD '000</i>
<i>30 June</i>	
<i>2016</i>	
<i>BD '000</i>	
Subordinated Mudaraba and Murabaha by Ultimate Parent	2,267
Subordinated Mudaraba Sukuk	6,299
	<u>8,566</u>
	<u>17,688</u>

**8 CONTINGENCIES AND COMMITMENTS**

	<b>30 June</b>	<i>Audited</i>
	<b>2016</b>	<i>31 December</i>
	<b>BD '000</b>	<i>2015</i>
		<i>BD '000</i>
Letters of credit	42,080	30,439
Guarantees	25,350	24,238
Foreign exchange contracts	18,835	14,874
Acceptances	13,774	11,029
Taxation	876	910
Others	116	313
	<b>101,031</b>	<b>81,803</b>

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

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2016</b>	<b>2015</b>
	<b>BD '000</b>	<b>BD '000</b>
Ijara Muntahia Bittamleek (note 9.1) - net	3,559	3,197
Income from investments	3,237	4,346
Musharaka	2,452	2,259
Gain on sale of investments	110	481
Rental income	43	38
	<b>9,401</b>	<b>10,321</b>

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2016</b>	<b>2015</b>
	<b>BD '000</b>	<b>BD '000</b>
Income from jointly financed, other financings and investments	6,995	7,421
Income from self financed, other financings and investments	2,406	2,900
	<b>9,401</b>	<b>10,321</b>

**9.1 Ijara Muntahia Bittamleek**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2016</b>	<b>2015</b>
	<b>BD '000</b>	<b>BD '000</b>
Income from Ijara Muntahia Bittamleek	12,307	12,654
Depreciation on Ijara Muntahia Bittamleek	(8,748)	(9,457)
	<b>3,559</b>	<b>3,197</b>

**10 REVENUE FROM BANKING SERVICES**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
Fees and commissions	1,140	843
Letters of credit and acceptances	1,188	387
Guarantees	161	188
	<b>2,489</b>	<b>1,418</b>

**11 OTHER INCOME**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
Foreign exchange gain - net	382	245
Others	230	289
	<b>612</b>	<b>534</b>

**12 (PROVISION) / REVERSAL OF IMPAIRMENT - NET**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
(Charge) / writeback of specific provision against non-performing assets - net	(418)	314
General provision charge	(81)	(98)
	<b>(499)</b>	<b>216</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 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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Assets	389,587	382,294	330,095	316,880	719,682	699,174
Liabilities, equity of investment accountholders and Subordinated debts	356,909	350,612	296,802	282,968	653,711	633,580

At 30 June 2016 (Reviewed)

**13 SEGMENTAL INFORMATION (continued)**

	<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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Total operating income	6,053	4,748	5,213	5,903
Total operating expenses	(5,048)	(4,300)	(5,480)	(5,096)
(Provision) / reversal of impairment - net	(11)	87	(488)	129
Taxation	-	-	250	(357)
Net income (loss) for the period	994	535	(505)	579

**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 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Assets:</b>						
Cash and balances with banks and financial institutions	36	45	20	34	56	79
Sales receivables	-	-	12,642	13,383	12,642	13,383
Ijara Muntahia Bittamleek	-	-	254	279	254	279
Musharaka	-	-	563	535	563	535
Ijara income receivables	-	-	30	29	30	29
Investments	-	-	27,189	27,003	27,189	27,003
Other assets	1,155	1,007	116	-	1,271	1,007
	1,191	1,052	40,814	41,263	42,005	42,315
<b>Liabilities:</b>						
Due to banks and financial institutions	1,673	2,036	346	613	2,019	2,649
Current accounts	29	38	726	975	755	1,013
Other liabilities	2	2	515	793	517	795
	1,704	2,076	1,587	2,381	3,291	4,457
<b>Equity of investment accountholders</b>	<b>2,327</b>	<b>6,400</b>	<b>20,070</b>	<b>20,426</b>	<b>22,397</b>	<b>26,826</b>
<b>Subordinated debts</b>	<b>11,923</b>	<b>2,267</b>	<b>-</b>	<b>-</b>	<b>11,923</b>	<b>2,267</b>
<b>OFF-BALANCE SHEET ITEMS:</b>						
Equity of investment accountholders	-	-	33,414	33,734	33,414	33,734
Contingencies and commitments	-	-	3,960	3,861	3,960	3,861

**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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Income</b>						
Income from jointly financed sales	-	-	208	234	208	234
Income from jointly financed, other financings and investments	-	-	205	35	205	35
Group's income from self financed, other financings	-	-	-	187	-	187
Other income	20	108	-	-	20	108
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	15	15	-	-	15	15
	<b>35</b>	<b>123</b>	<b>413</b>	<b>456</b>	<b>448</b>	<b>579</b>
<b>Expenses</b>						
Return on equity of investment accountholders before Group's share as a Mudarib	116	23	279	275	395	298
Other expenses	130	-	288	211	418	211
	<b>246</b>	<b>23</b>	<b>567</b>	<b>486</b>	<b>813</b>	<b>509</b>

Compensation of key management personnel is as follows:

	<i>Six months ended</i>	
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
Salaries	759	699
Other benefits	484	472
	<b>1,243</b>	<b>1,171</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.

**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 confirm to the presentation adopted in the current period. Such reclassification did not affect previously reported net income or owner's equity.