

Al Baraka Islamic Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 JUNE 2014 (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 subsidiaries ("the Group") as of 30 June 2014, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders 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.

__ July 2014

Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 (Reviewed)

	Notes	30 June 2014 BD	<i>Audited</i> 31 December 2013 BD
ASSETS			
Cash and balances with banks and financial institutions		98,595,737	120,504,546
Sales receivables		245,876,461	238,904,043
Mudaraba financing		3,917	651,856
Ijara Muntahia Bittamleek		59,419,620	47,720,628
Musharaka		37,471,339	27,315,723
Investments	3	142,949,467	126,480,900
Investments in real estate	4	2,205,079	2,091,979
Ijara income receivables		6,801,955	6,503,775
Premises and equipment		8,941,642	8,800,010
Goodwill		7,057,349	6,620,472
Other assets	5	38,168,850	29,371,174
TOTAL ASSETS		647,491,416	614,965,106
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		24,603,100	48,632,362
Current accounts		113,834,395	63,298,267
Other liabilities	6	23,158,470	19,130,756
Total liabilities		161,595,965	131,061,385
Equity of investment accountholders		421,372,020	421,774,380
Owners' Equity			
Share capital		46,166,591	46,166,591
Reserves		8,193,309	6,965,951
Retained earnings		3,226,751	2,729,896
Equity attributable to parent's shareholders		57,586,651	55,862,438
Non-controlling interest		6,936,780	6,266,903
Total owners' equity		64,523,431	62,129,341
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		647,491,416	614,965,106
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		59,404,019	51,565,127
CONTINGENCIES AND COMMITMENTS	7	91,329,962	101,216,130

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 15 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 2014 (Reviewed)

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		2014	<i>2013</i>	2014	<i>2013</i>
		<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
INCOME					
Income from jointly financed sales		3,218,417	3,373,920	7,295,321	6,677,732
Income from jointly financed, other financings and investments	8	3,997,726	4,151,547	7,059,714	8,555,538
Joint investment income		7,216,143	7,525,467	14,355,035	15,233,270
Return on equity of investment accountholders before Group's share as a Mudarib		(6,420,071)	(6,647,133)	(12,984,427)	(13,314,788)
Group's share as a Mudarib		1,276,682	1,424,365	2,772,092	3,081,359
Return on equity of investment accountholders		(5,143,389)	(5,222,768)	(10,212,335)	(10,233,429)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)		2,072,755	2,302,699	4,142,700	4,999,841
Group's income from self financed sales		408,302	170,631	617,053	339,386
Group's income from self financed, other financings and investments	8	953,865	1,161,696	2,408,042	1,964,194
Revenue from banking services	9	663,762	620,108	1,416,733	1,146,313
Other income	10	303,081	276,440	778,167	403,684
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders		13,626	4,520	22,779	5,885
TOTAL OPERATING INCOME		4,415,391	4,536,094	9,385,474	8,859,303
OPERATING EXPENSES					
Staff expenses		(2,147,607)	(2,008,353)	(4,400,879)	(4,151,168)
Depreciation		(277,388)	(264,693)	(555,895)	(525,792)
Profit on due to banks and financial institutions		(498)	(2,820)	(1,021)	(4,156)
Other operating expenses		(1,927,043)	(1,523,927)	(3,540,959)	(2,917,317)
TOTAL OPERATING EXPENSES		(4,352,536)	(3,799,793)	(8,498,754)	(7,598,433)
NET INCOME FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION					
		62,855	736,301	886,721	1,260,870
Reversal of provision (provision for impairment) - net	11	544,694	(403,696)	111,826	(1,251,133)
NET INCOME BEFORE TAXATION		607,549	332,605	998,547	9,737
Taxation		(208,481)	50,123	(264,231)	195,135
INCOME FOR THE PERIOD		399,068	382,728	734,316	204,872
Attributable to:					
Equity shareholders of the parent		218,411	404,126	496,853	311,503
Non-controlling interest		180,657	(21,398)	237,463	(106,631)
		399,068	382,728	734,316	204,872

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 15 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2014 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	2014	2013
	BD	BD
OPERATING ACTIVITIES		
Net income before taxation	998,547	9,737
Adjustments for :		
Depreciation	555,895	525,792
(provision for impairment) - net	(111,826)	1,251,133
Gain (loss) on sale of premises and equipment	(10,930)	15,405
Gain on sale of investments	(908,728)	(1,399,432)
Unrealised remeasurement gain	(113,100)	-
Operating profit before changes in operating assets and liabilities	409,858	402,635
Net changes in operating assets and liabilities:		
Sales receivables	(20,547,997)	(16,788,029)
Mudaraba financing	647,939	(4,246,519)
Ijara Muntahia Bittamleek	(11,698,992)	(1,491,018)
Musharaka	(9,279,833)	(1,125,182)
Ijara income receivables	(322,256)	1,659,468
Other assets	(9,076,573)	(3,635,186)
Other liabilities	4,027,714	2,547,606
Due to banks and financial institutions	(24,029,262)	(12,424,553)
Current accounts	50,536,128	21,264,340
Equity of investment accountholders	(382,063)	50,124,011
Taxation paid	(40,003)	(164,637)
Net cash (used in) from operating activities	(19,755,340)	36,122,936
INVESTING ACTIVITIES		
Purchase of investments	(87,068,575)	(22,411,579)
Sale of investments	71,515,207	27,658,172
Net purchase of premises and equipment	(686,597)	(419,140)
Net cash (used in) from investing activities	(16,239,965)	4,827,453
Foreign currency translation adjustments	1,202,472	(509,602)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,792,833)	40,440,787
Cash and cash equivalents at 1 January	190,129,921	108,578,391
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	155,337,088	149,019,178

For the purpose of the interim cash flows statement, cash and cash equivalents comprise the following:

Cash in hand	7,245,615	6,123,145
Balances with central banks	28,997,275	27,134,391
Balances with other banks and financial institutions	62,352,847	64,882,661
Sales receivables - international commodities	56,741,351	50,878,981
	155,337,088	149,019,178

The attached explanatory notes 1 to 15 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 2014 (Reviewed)

	<i>Equity attributable to shareholders of the parent</i>								
	<i>Share capital</i>	<i>Reserves</i>				<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total owners' equity</i>
		<i>Statutory</i>	<i>General</i>	<i>Cumulative changes in fair value</i>	<i>Foreign exchange</i>				
<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	
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
Balance at 30 June 2014	46,166,591	8,235,835	3,275,053	(16,539)	(3,301,040)	3,226,751	57,586,651	6,936,780	64,523,431
Balance at 1 January 2013	46,166,591	8,199,308	3,275,053	(319,191)	(2,948,793)	2,401,157	56,774,125	6,850,771	63,624,896
Cumulative changes in fair value	-	-	-	287,147	-	-	287,147	(12,875)	274,272
Foreign currency translation reserve	-	-	-	-	(510,164)	-	(510,164)	(180,196)	(690,360)
Net income (loss) for the period	-	-	-	-	-	311,503	311,503	(106,631)	204,872
Balance at 30 June 2013	46,166,591	8,199,308	3,275,053	(32,044)	(3,458,957)	2,712,660	56,862,611	6,551,069	63,413,680

The attached explanatory notes 1 to 15 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 2014 (Reviewed)

	<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
	51,565,127	2,423	7,526,089	333,159	(22,779)	59,404,019
	<i>Balance at 1 January 2013 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 2013 BD</i>
Sales						
receivables	40,689,257	-	(10,286,318)	12,202	(5,885)	30,409,256
Investments	9,819,388	754,905	(213,127)	-	-	10,361,166
	50,508,645	754,905	(10,499,445)	12,202	(5,885)	40,770,422

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (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 principal activities of the Bank and its subsidiaries (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 ___ July 2014.

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 2014 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 2013. In addition, results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual consolidated financial statements, for the year ended 31 December 2013.

2.2 Accounting convention

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

The interim condensed consolidated financial statements are presented in United States Dollars, being the reporting currency of the Group.

2.3 Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiaries 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 2014</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/offices at 30 June 2014</i>
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited*	64.64%	2004	Pakistan	110

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

Further, 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 38.15 million) and banks / DFIs are also required to maintain a capital adequacy ratio of 10% at all times.

In order to meet the regulatory capital requirements, Al Baraka Bank (Pakistan) Limited (ABPL) prepared a recapitalization plan which was submitted to the SBP. The SBP vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 has allowed ABPL 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 22.90 million) at all times and will have to meet the full MCR of Rs 10 billion (BD 38.16 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
- iii) The above foreign currency deposit with the SBP shall be increased to Rs. 2.1 billion (BD 8.03 million) by 31 December 2014 and Rs. 2.8 billion (BD 10.67 million) by 31 December 2015.
- 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.

For regulatory purposes, ABPL capital net of losses as of 30 June 2014 stands at Rs 7.07 billion (BD 26.96 million) comprising of paid up capital (net of losses) of Rs. 5.98 billion (BD 22.8 million) and foreign currency subordinated debt of Rs 1.09 billion (BD 4.147 million).

SBP while approving capital plan of ABPL vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 required ABPL to maintain CAR of 15% at capital level of Rs. 7 billion (BD 26.71 million). To comply with this requirement, ABPL is in the process of issuing the Tier II Shariah compliant sukuk of Rs 2.5 billion (BD 9.53 million) (inclusive of green shoe option of Rs 500 million ((BD 1.9 million)). The SBP has approved the issuance of sukuk vide its letter no BPRD/BA & CPD/608/9736/2014 dated 6 June 2014. The sukuk issuance process is expected to complete in third quarter of 2014 and will enable ABPL to comply with the CAR requirements prescribed by the SBP.

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

Investment in Itqan Capital

The Group's shareholders, in their Extra Ordinary General Assembly Meeting held on 25 January 2011, passed a resolution approving the sale of the Group's 5.88% stake in Al Tawfeeq Company for Investment Funds (ATCIF) and purchase of 60% stake in Itqan Capital (the "Company"), an investment firm based in the Kingdom of Saudi Arabia.

After obtaining all regulatory approvals, the Bank acquired 60% equity stake effective 1 July 2012 in the Company and sold 5.88% equity stake in ATCIF. Further the Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of the Company to Al Baraka Banking Group B.S.C. (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.3 Basis of consolidation (continued)****Investment in Itqan Capital (continued)**

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.

3 INVESTMENTS

	<i>30 June 2014</i>			<i>Audited 31 December 2013</i>		
	<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 amortised cost						
Quoted						
Sukuk	19,780,890	11,730,997	31,511,887	33,533,473	6,473,376	40,006,849
Unquoted						
Sukuk	48,850,131	48,498,316	97,348,447	21,801,489	51,735,333	73,536,822
	68,631,021	60,229,313	128,860,334	55,334,962	58,208,709	113,543,671
ii) Equity-type instruments at fair value through equity						
Quoted						
Listed equity shares	396,290	82,643	478,933	-	70,124	70,124
Unquoted						
Private equity	10,688,448	199,175	10,887,623	10,688,448	186,845	10,875,293
Managed funds	-	1,891,194	1,891,194	-	1,889,325	1,889,325
Real estate related	2,126,484	344,060	2,470,544	1,273,693	344,060	1,617,753
Others	377,000	-	377,000	377,000	-	377,000
	13,588,222	2,517,072	16,105,294	12,339,141	2,490,354	14,829,495
Less: Provision for impairment	(987,921)	(1,028,240)	(2,016,161)	(927,662)	(964,604)	(1,892,266)
Total investments	81,231,322	61,718,145	142,949,467	66,746,441	59,734,459	126,480,900

Included in quoted equity type instruments, BD 429 thousand (2013: BD 37 thousand) of investments are fair valued using quoted prices in active markets for identical instruments;

Within unquoted equity type instruments, BD 3,261 thousand (2013: BD 2,274 thousand) investments are fair valued using directly or indirectly observable inputs; and

Under unquoted equity type instruments which are held at fair value through equity are investments amounting to BD 11,256 thousand (2013: BD 11,256 thousand) which are held at cost less provision for impairment.

The Group's investments in sukuk held at amortised cost amounting to BD 128,003 thousand (2013: BD 112,913 thousand) has a fair value amounting to BD 128,480 thousand (2013: BD 112,374 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (Reviewed)

4 INVESTMENTS IN REAL ESTATE

	30 June 2014 BD	<i>Audited</i> 31 December 2013 BD
Buildings	2,091,979	1,208,092
Additions	-	779
Transfer from other assets	-	694,608
Changes in fair value	113,100	188,500
	2,205,079	2,091,979

5 OTHER ASSETS

	30 June 2014 BD	<i>Audited</i> 31 December 2013 BD
Accounts receivable	2,046,778	2,565,465
Subordinated qard hasan (note 5.1)	10,053,000	10,053,000
Advance against financing transactions	11,684,161	4,614,565
Deferred tax	5,371,455	5,155,072
Advance against capital expenditure	2,388,876	2,178,983
Advance tax	936,750	972,978
Receivable against sale of shares	309,065	289,932
Income receivable	213,926	255,272
Others	6,286,907	4,287,231
Total	39,290,918	30,372,498
Less: Provision for impairment	(1,122,068)	(1,001,324)
	38,168,850	29,371,174

Note 5.1

This represents profit free subordinated qard hasan granted to Itqan Capital a related party to support its financial and operating activities maturing on 28 February 2018.

6 OTHER LIABILITIES

	30 June 2014 BD	<i>Audited</i> 31 December 2013 BD
Margins received	7,019,188	5,747,911
Security deposit against Ijara Muntahia Bittamleek	3,648,913	2,906,870
Bills payable	2,748,652	2,597,252
Accounts payable	6,343,073	4,398,164
Provision for employees benefits	1,566,047	1,635,055
Rental received in advance	541,303	812,004
Charity fund	491,673	518,544
Others	799,621	514,956
	23,158,470	19,130,756

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (Reviewed)

7 CONTINGENCIES AND COMMITMENTS

	<i>Audited</i>	
	30 June	31 December
	2014	2013
	BD	BD
Foreign exchange contracts	14,990,968	18,165,847
Guarantees	26,209,531	22,238,952
Letters of credit	29,863,135	49,888,330
Acceptances	19,211,168	9,952,722
Taxation	908,570	726,963
Others	146,590	243,316
	91,329,962	101,216,130

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

	30 June	30 June
	2014	2013
	BD	BD
Ijara Muntahia Bittamleek (note 8.1) - net	2,375,375	2,047,131
Income from investments	4,529,459	4,879,636
Istisna financing	256,040	394,199
Mudaraba financing	5,155	836,496
Musharaka	1,349,376	917,568
Gain on sale of investments	908,729	1,399,433
Rental income	43,622	45,269
	9,467,756	10,519,732
	30 June	30 June
	2014	2013
	BD	BD
Income from jointly financed, other financings and investments	7,059,714	8,555,538
Income from self financed, other financings and investments	2,408,042	1,964,194
	9,467,756	10,519,732

8.1 Ijara Muntahia Bittamleek

	30 June	30 June
	2014	2013
	BD	BD
Income from Ijara Muntahia Bittamleek	8,226,902	6,102,147
Depreciation on Ijara Muntahia Bittamleek	(5,851,527)	(4,055,016)
	2,375,375	2,047,131

9 REVENUE FROM BANKING SERVICES

	30 June	30 June
	2014	2013
	BD	BD
Fees and commissions	830,657	499,842
Letters of credit and acceptances	434,089	488,135
Guarantees	151,987	158,336
	1,416,733	1,146,313

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (Reviewed)

10 OTHER INCOME

	30 June 2014 BD	30 June 2013 BD
Foreign exchange gain - net	515,542	289,509
Fair value gain	113,100	-
Others	149,525	114,175
	778,167	403,684

11 PROVISION AGAINST NON-PERFORMING LOANS

	30 June 2014 BD	30 June 2013 BD
Specific provision/ reversal against non-performing assets	130,676	(1,251,133)
General provision	(18,850)	-
	111,826	(1,251,133)

12 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 as set out in note 2. 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 Countries</i>		<i>Total</i>	
	30 June 2014 BD	<i>30 June 2013 BD</i>	30 June 2014 BD	<i>30 June 2013 BD</i>	30 June 2014 BD	<i>30 June 2013 BD</i>
Assets	300,468,133	277,506,520	347,023,283	318,567,406	647,491,416	596,073,926
Liabilities and equity of investment accountholders	260,074,462	232,981,652	322,893,523	299,678,594	582,967,985	532,660,246
			<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>	
			2014 BD	<i>2013 BD</i>	2014 BD	<i>2013 BD</i>
Total operating income			3,849,169	4,185,803	5,536,305	4,673,500
Total operating expenses			(3,767,562)	(3,638,389)	(4,731,192)	(3,960,044)
Provision for impairment - net			(18,850)	(40,983)	130,676	(1,210,150)
Taxation			-	-	(264,231)	195,135
Income / (loss) for the period			62,757	506,431	671,558	(301,559)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (Reviewed)

13 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 2014 BD	31 December 2013 BD	30 June 2014 BD	31 December 2013 BD	30 June 2014 BD	31 December 2013 BD
Assets:						
Cash and balances with banks and financial institutions	18,819	25,110	27,037	66,887	45,856	91,997
Sales receivables	-	-	16,827,651	18,745,496	16,827,651	18,745,496
Mudaraba financing	-	-	3,917	651,856	3,917	651,856
Ijara Muntahia Bittamleek	-	-	1,209,467	1,548,487	1,209,467	1,548,487
Musharaka	-	-	412,672	349,767	412,672	349,767
Ijara income receivables	-	-	344,965	17,124	344,965	17,124
Investments	-	-	16,190,830	10,531,017	16,190,830	10,531,017
Other assets	860,079	986,006	10,688,082	11,074,730	11,548,161	12,060,736
	878,898	1,011,116	45,704,621	42,985,364	46,583,519	43,996,480
Liabilities:						
Due to banks and other financial institutions	2,225,434	1,638,496	2,618,587	17,163,552	4,844,021	18,802,048
Current accounts	739,309	744,229	361,490	220,580	1,100,799	964,809
Other liabilities	8,006	7,511	1,500	2,266,637	9,506	2,274,148
	2,972,749	2,390,236	2,981,577	19,650,769	5,954,326	22,041,005
Equity of investment accountholders	4,507,740	5,996,352	26,610,683	24,732,526	31,118,423	30,728,878
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	3,065,010	3,065,010	30,152,932	32,699,421	33,217,942	35,764,431
Contingencies and commitments	-	-	5,091,510	5,936,271	5,091,510	5,936,271

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

	Six months ended 30 June	
	2014 BD	2013 BD
Income		
Income from jointly financed sales	258,334	62,470
Income from jointly financed, other financings and investments	40,483	275,802
Group's income from self financed, other financings and investments	5,155	44,135
Other revenues	108,277	108,277
Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders	22,779	5,355
	435,028	496,039

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014 (Reviewed)

13 RELATED PARTY TRANSACTIONS (continued)

	<i>Six months ended</i>	
	<i>30 June</i>	
	2014	2013
	BD	BD
Expenses		
Return on equity of investment accountholders before		
Group's share as a Mudarib	256,798	487,831
Other expenses	164,481	49,800
	421,279	537,631

Compensation of key management personnel is as follows:

	<i>Six months ended</i>	
	<i>30 June</i>	
	2014	2013
	BD	BD
Salaries	608,378	583,663
Other benefits	381,213	361,205
	989,591	944,868

14 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.
- (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.

15 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 loss or owner's equity.