

Al Baraka Banking Group B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2017 (REVIEWED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AL BARAKA BANKING GROUP B.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Banking Group B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 30 June 2017, 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 months period then ended and explanatory notes. The Board of Directors and management are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



7 August 2017
Manama, Kingdom of Bahrain

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (Reviewed)

		<i>Audited</i>
		<i>30 June</i> <i>31 December</i>
		<i>2017</i> <i>2016</i>
	<i>Notes</i>	<i>US\$ '000</i> <i>US\$ '000</i>
ASSETS		
Cash and balances with banks		4,998,363 5,073,418
Receivables	3	11,894,897 11,423,448
Mudaraba and Musharaka financing	4	1,918,385 1,582,396
Investments	5	3,026,970 2,629,131
Ijarah Muntahia Bittamleek		1,872,928 1,830,339
Property and equipment		436,403 417,295
Other assets	6	528,431 469,238
TOTAL ASSETS		24,676,377 23,425,265
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		
LIABILITIES		
Customer current and other accounts		5,013,207 4,983,772
Due to banks		1,129,226 918,395
Long term financing	7	1,313,441 1,381,256
Other liabilities	8	901,557 856,467
Total liabilities		8,357,431 8,139,890
EQUITY OF INVESTMENT ACCOUNTHOLDERS		13,842,633 13,276,794
OWNERS' EQUITY		
Share capital	12	1,206,679 1,149,218
Treasury shares		(10,246) (9,588)
Share premium		19,138 18,574
Perpetual tier 1 capital	13	400,000 -
Reserves		181,458 181,971
Cumulative changes in fair values		40,611 41,271
Foreign currency translations	12	(662,342) (666,719)
Retained earnings		560,321 497,374
Proposed appropriations	12	- 68,857
Equity attributable to parent's shareholders		1,735,619 1,280,958
Non-controlling interest		740,694 727,623
Total owners' equity		2,476,313 2,008,581
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		24,676,377 23,425,265



Saleh Abdullah Kamel
Chairman



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

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

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2017 (Reviewed)

	Three months ended		Six months ended	
	30 June 2017 US\$ '000	30 June 2016 US\$ '000	30 June 2017 US\$ '000	30 June 2016 US\$ '000
INCOME				
Net income from jointly financed contracts and investments	295,543	327,877	592,320	655,686
Return on equity of investment accountholders before Group's share as a Mudarib	(248,243)	(285,631)	(499,726)	(561,741)
Group's share as a Mudarib	81,348	103,994	173,617	202,469
Return on equity of investment accountholders	(166,895)	(181,637)	(326,109)	(359,272)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	128,648	146,240	266,211	296,414
Mudarib share for managing off-balance sheet equity of investment accountholders	3,879	1,165	4,160	1,803
Net income from self financed contracts and investments	100,383	74,707	188,428	149,420
Fees and commission income	39,690	54,790	79,355	102,149
Other operating income	4,392	7,937	8,154	30,503
	276,992	284,839	546,308	580,289
Profit paid on long term financing	(21,455)	(22,257)	(41,900)	(42,071)
TOTAL OPERATING INCOME	255,537	262,582	504,408	538,218
OPERATING EXPENSES				
Staff expenses	75,867	79,812	161,036	173,956
Depreciation and amortisation	11,926	14,984	23,485	30,733
Other operating expenses	49,483	45,951	100,479	97,421
TOTAL OPERATING EXPENSES	137,276	140,747	285,000	302,110
NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION	118,261	121,835	219,408	236,108
Net provisions	(29,856)	(21,471)	(58,768)	(37,529)
NET INCOME FOR THE PERIOD BEFORE TAXATION	88,405	100,364	160,640	198,579
Taxation	(26,967)	(26,153)	(47,692)	(55,532)
NET INCOME FOR THE PERIOD	61,438	74,211	112,948	143,047
Attributable to:				
Equity holders of the parent	35,745	43,587	69,748	81,386
Non-controlling interest	25,693	30,624	43,200	61,661
	61,438	74,211	112,948	143,047
Basic and diluted earnings per share - US cents (note 11)	2.99	3.82	5.83	6.79



Saleh Abdullah Kamel
Chairman



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

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

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017 (Reviewed)

	<i>Six months ended</i>	
	30 June	30 June
	2017	2016
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Net income for the period before taxation	160,640	198,579
Adjustments for:		
Depreciation and amortisation	23,485	30,733
Depreciation on Ijarah Muntahia Bittamleek	139,647	167,204
Unrealised gain on equity and debt-type instruments at fair value through statement of income	(9,553)	(99)
Gain on disposal of property and equipment	(4,311)	(1,414)
Gain on disposal of investment in real estate	(39)	(137)
Gain on disposal of equity-type instruments at fair value through equity	(1,443)	(1,762)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	(409)	(279)
Net provisions	58,768	37,529
Income from associates	(1,031)	(1,657)
Operating profit before changes in operating assets and liabilities	365,754	428,697
Net changes in operating assets and liabilities:		
Reserves with central banks	77,878	737,312
Receivables	(531,304)	(503,418)
Mudaraba and Musharaka financing	(337,515)	(150,023)
Ijarah Muntahia Bittamleek	(182,237)	(216,006)
Other assets	(64,893)	(97,633)
Customer current and other accounts	29,437	153,696
Due to banks	210,831	127,134
Other liabilities	70,513	151,775
Equity of investment accountholders	566,855	(66,597)
Taxation paid	(71,689)	(81,160)
Net cash from operating activities	133,630	483,777
INVESTING ACTIVITIES		
Net purchase of investments	(388,242)	(58,471)
Net purchase of property and equipment	(32,863)	(11,818)
Net movement in associates	156	311
Net disposal of investment in associates	21	1,774
Net cash used in investing activities	(420,928)	(68,204)
FINANCING ACTIVITIES		
Dividends paid to equity holders of the parent	(11,396)	(22,143)
Net movement in treasury shares	(94)	406
Issuance of perpetual tier 1 capital	400,000	-
Payment of expenses related to tier 1 capital	(2,780)	-
Long term financing	(67,816)	47,186
Net change in non-controlling interest	(37,041)	(31,743)
Net cash from (used in) financing activities	280,873	(6,294)
Foreign currency translation adjustments	9,248	(44,253)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,823	365,026
Cash and cash equivalents at 1 January	2,851,959	2,292,689
CASH AND CASH EQUIVALENTS AT 30 JUNE (note 15)	2,854,782	2,657,715

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

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2017 (Reviewed)

	Attributable to equity holders of the parent and Sukuk holders													
	Reserves													
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Perpetual tier 1 capital US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair value of investments US\$ '000	Cumulative changes in fair value of property and equipment US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Appropriations US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2017	1,149,218	(9,588)	18,574	-	139,740	42,231	4,971	36,300	(666,719)	497,374	68,857	1,280,958	727,623	2,008,581
Dividends (note 12)	-	-	-	-	-	-	-	-	-	-	(11,396)	(11,396)	-	(11,396)
Bonus shares issued (note 12)	57,461	-	-	-	-	-	-	-	-	-	(57,461)	-	-	-
Net movement in treasury shares	-	(658)	564	-	-	-	-	-	-	-	-	(94)	-	(94)
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(660)	-	-	-	-	(660)	(654)	(1,314)
Net movement in other reserves	-	-	-	-	-	(513)	-	-	-	-	-	(513)	(86)	(599)
Foreign currency translations	-	-	-	-	-	-	-	-	4,377	-	-	4,377	4,872	9,249
Net income for the period	-	-	-	-	-	-	-	-	69,748	-	-	69,748	43,200	112,948
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(31,506)	(31,506)
Allocation of Zakah	-	-	-	-	-	-	-	-	(4,021)	-	-	(4,021)	-	(4,021)
Perpetual tier 1 capital	-	-	-	400,000	-	-	-	-	-	-	-	400,000	-	400,000
Expenses related to perpetual tier 1 capital	-	-	-	-	-	-	-	-	(2,780)	-	-	(2,780)	-	(2,780)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,755)	(2,755)
At 30 June 2017	1,206,679	(10,246)	19,138	400,000	139,740	41,718	4,311	36,300	(662,342)	560,321	-	1,735,619	740,694	2,476,313

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

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2017 (Reviewed)

	Attributable to equity holders of the parent												
	Reserves												
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair value of investments US\$ '000	Cumulative changes in fair value of property and equipment US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Appropriations US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2016	1,115,746	(8,464)	17,662	124,585	40,874	2,229	36,300	(461,948)	433,631	55,787	1,356,402	738,181	2,094,583
Dividends (note 12)	-	-	-	-	-	-	-	-	172	(22,315)	(22,143)	-	(22,143)
Bonus shares issued (note 12)	33,472	-	-	-	-	-	-	-	-	(33,472)	-	-	-
Net movement in treasury shares	-	(452)	858	-	-	-	-	-	-	-	406	-	406
Net movement in cumulative changes in fair values	-	-	-	-	-	(242)	-	-	-	-	(242)	(114)	(356)
Net movement in other reserves	-	-	-	-	3,160	-	-	-	-	-	3,160	1,763	4,923
Foreign currency translations	-	-	-	-	-	-	(26,355)	-	-	-	(26,355)	(17,898)	(44,253)
Net income for the period	-	-	-	-	-	-	-	81,386	-	-	81,386	61,661	143,047
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,085)	(31,085)
Allocation of Zakah	-	-	-	-	-	-	-	(4,228)	-	-	(4,228)	-	(4,228)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(659)	(659)
At 30 June 2016	1,149,218	(8,916)	18,520	124,585	44,034	1,987	36,300	(488,303)	510,961	-	1,388,386	751,849	2,140,235

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

Al Baraka Banking Group B.S.C.

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

For the six months ended 30 June 2017 (Reviewed)

	Cash US\$ '000	Sales receivable US\$ '000	Mudaraba financing US\$ '000	Investment in real estate US\$ '000	Ijarah Muntahia Bittamleek US\$ '000	Investments US\$ '000	Others US\$ '000	Total US\$ '000
At 1 January 2017	73,558	223,323	286,201	38,150	82,962	157,672	10,177	872,043
Deposits	124,156	219,276	382,669	3,921	3,097	3,921	24,690	761,730
Withdrawals	(73,598)	(199,826)	(363,513)	(134)	(8,317)	(20,627)	(23,967)	(689,982)
Income net of expenses	-	11,470	3,517	80	3,370	1,279	(613)	19,103
Mudarib's share	-	(3,439)	(60)	(20)	(515)	(76)	(50)	(4,160)
Foreign exchange translation	-	(4,500)	-	-	-	(549)	-	(5,049)
At 30 June 2017	124,116	246,304	308,814	41,997	80,597	141,620	10,237	953,685
At 1 January 2016	11,579	170,139	257,719	38,277	81,173	200,535	18,537	777,959
Deposits	165,928	115,210	260,873	629	8,375	8,291	24,083	583,389
Withdrawals	(114,510)	(78,600)	(237,763)	(199)	(9,620)	(66,842)	(26,138)	(533,672)
Income net of expenses	-	10,826	2,970	238	3,921	(671)	(550)	16,734
Mudarib's share	-	(1,384)	-	(40)	(183)	(136)	(60)	(1,803)
Foreign exchange translation	-	(11,285)	-	-	-	-	(5,181)	(16,466)
At 30 June 2016	62,997	204,906	283,799	38,905	83,666	141,177	10,691	826,141

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

1 ACTIVITIES

Al Baraka Banking Group B.S.C. (the "Bank") is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration ("CR") number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Bourse and NASDAQ Dubai.

The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain (the "CBB").

The principal activities of the Bank and its subsidiaries (the "Group") comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

These interim condensed consolidated financial statements for the six months period ended 30 June 2017 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - *"Interim Financial Reporting"*. The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2016. In addition, results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments through statement of income, equity-type instruments through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The interim condensed consolidated financial statements are presented in United States Dollars ("US\$") being the functional and reporting currency of the Group. All values are rounded to the nearest US\$ thousand ("US\$ '000") unless otherwise indicated.

Statement of compliance

The annual consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law and the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions and rules and procedures of the Bahrain Bourse. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist including "Interim Financial Reporting", the Group uses the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), given it does not contradict with Shari'a Rules and Principles and the conceptual framework of AAOIFI.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 30 June 2017. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Significant accounting policies

These interim condensed consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 7 August 2017.

3 RECEIVABLES

	30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Sales (Murabaha) receivables	11,532,458	11,119,981
Ijarah receivables	63,192	57,086
Salam receivables	199,258	154,649
Istisna'a receivables	99,989	91,732
	11,894,897	11,423,448

4 MUDARABA AND MUSHARAKA FINANCING

	30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Mudaraba financing	1,082,893	821,729
Musharaka financing	835,492	760,667
	1,918,385	1,582,396

5 INVESTMENTS

	30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Equity and debt-type instruments at fair value through statement of income (5.1)	290,449	27,842
Equity-type instruments at fair value through equity (5.2)	139,545	107,225
Debt-type instruments at amortised cost (5.3)	2,337,095	2,250,764
	2,767,089	2,385,831
Investment in real estate (5.4)	207,168	191,565
Investment in associates	52,713	51,735
	3,026,970	2,629,131

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

5 INVESTMENTS (continued)**5.1 Equity and debt-type instruments at fair value through statement of income**

	30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Quoted investments		
Debts	11,052	8,369
Equities	279,321	928
Unquoted investments		
Equities	76	18,545
	290,449	27,842

5.2 Equity-type instruments at fair value through equity

	30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Quoted investments		
Equities	48,502	46,476
Managed funds	20,042	18,478
	68,544	64,954
Unquoted investments		
Equities	36,274	34,766
Managed funds	37,923	10,403
	74,197	45,169
Provisions	(3,196)	(2,898)
	139,545	107,225

5.3 Debt-type instruments at amortised cost

	30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Quoted investments		
Sukuk and similar items	1,333,600	1,212,230
	1,333,600	1,212,230
Unquoted investments		
Sukuk and similar items	1,010,244	1,042,796
	1,010,244	1,042,796
Provisions	(6,749)	(4,262)
	2,337,095	2,250,764

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in Sukuk and similar items held at amortised cost have fair values amounting to US\$ 2,363 million (31 December 2016: US\$ 2,275 million).

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

5 INVESTMENTS (continued)

5.4 Investment in real estate

	<i>Audited</i>	<i>Audited</i>
	30 June 2017	31 December 2016
	US\$ '000	US\$ '000
Land	122,599	107,315
Buildings	84,569	84,250
	207,168	191,565

The following is a reconciliation between the carrying amounts of investment in real estate at the beginning and end of the period / year:

	<i>Audited</i>	<i>Audited</i>
	30 June 2017	31 December 2016
	US\$ '000	US\$ '000
Beginning balance of the period / year	191,565	187,412
Acquisition	21,944	14,479
Net (loss) gain from fair value adjustments	(81)	1,253
Disposal	(3,922)	(8,660)
Foreign exchange translation - net	(2,338)	(2,919)
	15,603	4,153
Ending balance of the period / year	207,168	191,565

6 OTHER ASSETS

	<i>Audited</i>	<i>Audited</i>
	30 June 2017	31 December 2016
	US\$ '000	US\$ '000
Bills receivable	136,968	144,327
Goodwill and intangible assets	90,746	91,735
Collateral pending sale	63,111	62,151
Prepayments	48,954	40,540
Deferred taxation	35,866	34,693
Good faith qard fund	20,297	19,136
Others	148,068	91,485
	544,010	484,067
Provisions	(15,579)	(14,829)
	528,431	469,238

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

7 LONG TERM FINANCING

	<i>Audited</i>	
	30 June 2017	31 December 2016
	US\$ '000	US\$ '000
Murabaha financing	723,947	762,752
Subordinated financing obtained by a subsidiary	427,188	456,600
Wakala	162,306	161,904
	1,313,441	1,381,256

8 OTHER LIABILITIES

	<i>Audited</i>	
	30 June 2017	31 December 2016
	US\$ '000	US\$ '000
Payables	344,054	299,433
Cash margins	251,437	222,008
Managers' cheques	111,601	103,969
Other provisions	7,617	11,091
Current taxation	46,236	68,055
Deferred taxation	11,928	12,933
Accrued expenses	68,739	71,303
Charity fund	16,836	10,658
Others	43,109	57,017
	901,557	856,467

9 COMMITMENTS AND CONTINGENCIES

	<i>Audited</i>	
	30 June 2017	31 December 2016
	US\$ '000	US\$ '000
Guarantees	2,517,343	2,680,992
Letters of credit	727,955	704,307
Acceptances	52,217	53,791
Undrawn commitments	866,210	834,915
Sharia'a compliant promise contracts	246,872	323,915
Others	315	321
	4,410,912	4,598,241

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

The income and expenses in respect of related parties were as follows:

	Directors and key management personnel		Other related parties	Six months ended	
	Associated companies US\$ '000	Major shareholders US\$ '000		30 June 2017 US\$ '000	30 June 2016 US\$ '000
Net income from jointly financed contracts and investments	974	-	-	1,162	1,109
Net income from self financed contracts and investments	-	2	-	2	24
Return on equity of investment accountholders	164	18	1	359	201
Fees and commission income	226	-	-	226	199

The significant balances with related parties were as follows:

	Directors and key management personnel		Other related parties	Audited	
	Associated companies US\$ '000	Major shareholders US\$ '000		30 June 2017 US\$ '000	31 December 2016 US\$ '000
Assets					
Receivables	2,681	-	-	3,438	2,768
Mudaraba and Musharaka financing investments	-	-	-	3,542	-
Ijarah Muntahia Bittamleek	43,184	8	291	43,483	63,555
Other assets	-	-	-	469	559
	2	1	502	1,143	1,881
Liabilities					
Customer current and other accounts	14,342	2,443	73	18,325	9,076
Other liabilities	-	6	-	6	2
Equity of investment accountholders	8,994	5,960	68	23,348	25,071
Off-balance sheet equity of investment accountholders	17,608	8,593	-	33,107	29,114

All related party exposures are performing and are free of any provision for possible credit losses. Pricing policies and terms of related party transactions are approved by the Group's management

Al Baraka Banking Group B.S.C.

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At 30 June 2017 (Reviewed)

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the period attributable to equity holders of the parent by the number of shares outstanding during the period as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Net income attributable to the equity holders of the parent for the period - US\$ '000	35,745	43,587	69,748	81,386
Number of shares outstanding at beginning of the period (in thousands)	1,196,906	1,140,496	1,206,679	1,149,218
Treasury shares effect (in thousands)	(555)	(152)	(10,052)	(8,669)
Bonus shares effect (in thousands)*	-	57,461	-	57,461
Number of shares outstanding at end of the period - (in thousands)	1,196,351	1,140,344	1,196,627	1,198,010
Earnings per share - US cents	2.99	3.82	5.83	6.79

* The number of shares of the previous period has been adjusted on account of the bonus issue made during 2016.

12 OWNERS' EQUITY

	<i>Audited</i>	
	30 June 2017 US\$ '000	31 December 2016 US\$ '000
Share capital		
Authorised:		
Ordinary shares 1,500,000,000 (2016: 1,500,000,000) of US\$ 1 each	1,500,000	1,500,000
Issued and fully paid up:		
At beginning of the period / year		
1,149,218,451 (2016: 1,115,746,069) shares of US\$1 each	1,149,218	1,115,746
Issued during the period / year		
57,460,923 bonus shares (2016: 33,472,382) of US\$1 each	57,461	33,472
At end of the period / year		
1,206,679,374 (2016: 1,149,218,451) shares of US\$1 each	1,206,679	1,149,218

Appropriations

At the Annual General Meeting held on 20 March 2017 (2016: 20 March 2016), the shareholders of the Group resolved to distribute US\$ 11,396 thousand (2016: US\$ 22,315 thousand) as cash dividends and US\$ 57,461 thousand (2016: US\$ 33,472 thousand) as bonus shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

12 OWNERS' EQUITY (continued)**Foreign currency translations**

The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The following table summarises the subsidiary wise foreign currency translation loss balance.

Subsidiary	Currency	<i>Audited</i>	
		30 June 2017	31 December 2016
		US\$ '000	US\$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	47,763	50,617
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	8,056	7,890
Al Baraka Bank Egypt (ABE)	Egyptian Pound	140,635	144,651
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	349,903	350,455
Al Baraka Bank Limited (ABL)	South African Rand	15,283	17,279
Al Baraka Bank Sudan (ABS)	Sudanese Pound	40,224	36,901
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	25,316	23,166
Al Baraka Bank Syria (ABBS)	Syrian Pound	35,162	35,760
		662,342	666,719

13 PERPETUAL TIER 1 CAPITAL

On 31 May 2017, the Bank completed an issuance of US\$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 7.875% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding Profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default.

14 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into the following geographic segments:

- Middle East
- North Africa
- Europe
- Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segments are presented as that is not applicable to the Group.

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

14 SEGMENTAL INFORMATION (continued)

Segment assets, liabilities and equity of investment accountholders were as follows:

Segment	30 June 2017			Audited 31 December 2016		
	Assets	Liabilities	Equity of investment accountholders	Assets	Liabilities	Equity of investment accountholders
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Middle East	10,526,301	2,760,408	6,444,903	9,710,447	2,782,561	6,057,888
North Africa	2,430,494	1,080,943	1,090,171	2,419,901	1,171,716	974,704
Europe	9,651,339	3,798,576	5,172,514	9,304,781	3,546,164	5,103,850
Others	2,068,243	717,504	1,135,045	1,990,136	639,449	1,140,352
	24,676,377	8,357,431	13,842,633	23,425,265	8,139,890	13,276,794

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

Segment	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Total operating income	Net operating income	Net income	Total operating income	Net operating income	Net income
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Middle East	187,918	85,732	55,402	220,895	106,050	67,191
North Africa	48,255	17,169	9,736	53,086	24,152	14,917
Europe	210,063	100,486	36,385	220,100	92,395	50,935
Others	58,172	16,021	11,425	44,137	13,511	10,004
	504,408	219,408	112,948	538,218	236,108	143,047

15 CASH AND CASH EQUIVALENTS

	Six months ended	
	30 June 2017	30 June 2016
	US\$ '000	US\$ '000
Balances with central banks excluding mandatory reserve	1,314,999	1,324,267
Balances with other banks	765,545	689,319
Cash and cash in transit	774,238	644,129
	2,854,782	2,657,715