

Al Baraka Islamic Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 SEPTEMBER 2013 (UNAUDITED)

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 September 2013, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the nine month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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



7 November 2013
Manama, Kingdom of Bahrain

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013 (Unaudited)

	Notes	30 September 2013 BD	Audited 31 December 2012 BD
ASSETS			
Cash and balances with banks and financial institutions		93,632,825	81,863,450
Sales receivables		202,414,978	179,248,578
Mudaraba financing		7,553,324	13,142,569
Ijara Muntahia Bittamleek		45,891,210	42,688,666
Musharaka		25,750,564	23,559,624
Investments	3	145,975,627	151,077,484
Investment in real estate	4	1,208,708	1,208,092
Ijara income receivables		6,936,779	8,415,957
Premises and equipment		8,788,451	8,315,409
Goodwill		6,574,387	7,177,568
Other assets	5	27,426,450	18,050,539
TOTAL ASSETS		572,153,303	534,747,936
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		24,541,931	45,128,075
Current accounts		54,505,409	48,577,772
Other liabilities	6	17,577,407	12,655,362
Total liabilities		96,624,747	106,361,209
Equity of investment accountholders		414,410,237	364,761,831
Owners' Equity			
Share capital		46,166,591	46,166,591
Reserves		6,782,661	8,206,377
Retained earnings		2,264,713	2,401,157
Equity attributable to parent's shareholders		55,213,965	56,774,125
Non-controlling interest		5,904,354	6,850,771
Total owners' equity		61,118,319	63,624,896
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		572,153,303	534,747,936
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		26,462,704	50,508,645
CONTINGENCIES AND COMMITMENTS	7	82,629,940	75,776,256



Khalid Rashid Al-Zayani
Chairman



Adnan Ahmed Yousif
Deputy Chairman



Mohammed Essa Al Mutaweh
Chief Executive & Board Member

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months period ended 30 September 2013 (Unaudited)

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	BD	BD	BD	BD
INCOME				
Income from jointly financed sales	3,257,502	2,771,154	9,935,234	9,430,374
Income from jointly financed, other financings and investments	3,844,334	4,622,720	12,399,872	15,023,437
Joint investment income	7,101,836	7,393,874	22,335,106	24,453,811
Return on equity of investment accountholders before Group's share as a Mudarib	(6,326,862)	(6,683,751)	(19,641,650)	(21,887,510)
Group's share as a Mudarib	1,112,076	1,071,504	4,193,435	3,901,169
Return on equity of investment accountholders	(5,214,786)	(5,612,247)	(15,448,215)	(17,986,341)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	1,887,050	1,781,627	6,886,891	6,467,470
Group's income from self financed sales	162,631	194,728	502,017	231,781
Group's income from self financed, other financings and investments	687,452	881,134	2,651,646	2,238,265
Revenue from banking services	666,391	779,805	1,812,704	1,995,370
Other income	370,473	219,926	774,157	655,922
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	6,559	40,272	12,444	53,427
TOTAL OPERATING INCOME	3,780,556	3,897,492	12,639,859	11,642,235
OPERATING EXPENSES				
Staff expenses	(1,890,106)	(1,857,304)	(6,041,274)	(5,962,822)
Depreciation	(259,702)	(307,216)	(785,494)	(937,133)
Profit on due to banks and financial institutions	(443)	(5,975)	(4,599)	(15,174)
Other operating expenses	(1,435,768)	(1,455,305)	(4,353,085)	(4,284,513)
TOTAL OPERATING EXPENSES	(3,586,019)	(3,625,800)	(11,184,452)	(11,199,642)
NET INCOME FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION	194,537	271,692	1,455,407	442,593
Provision for impairment - net	(1,120,670)	(1,750,481)	(2,371,803)	(3,448,299)
Loss on sale of equity-type investment	-	(613,270)	-	(613,270)
NET LOSS BEFORE TAXATION	(926,133)	(2,092,059)	(916,396)	(3,618,976)
Taxation	257,210	673,339	452,345	726,754
LOSS FOR THE PERIOD	(668,923)	(1,418,720)	(464,051)	(2,892,222)
Attributable to:				
Equity shareholders of the parent	(447,947)	(1,070,136)	(136,444)	(2,264,651)
Non-controlling interest	(220,976)	(348,584)	(327,607)	(627,571)
	(668,923)	(1,418,720)	(464,051)	(2,892,222)



Khalid Rashid Al-Zayani
Chairman



Adnan Ahmed Yousif
Deputy Chairman



Mohammed Essa Al Mutaweh
Chief Executive & Board Member

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2013 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2013	2012
	BD	BD
OPERATING ACTIVITIES		
Net loss before taxation	(916,396)	(3,618,976)
Adjustments for :		
Depreciation	785,494	937,133
Provision for impairment - net	2,371,803	3,448,299
Gain on sale of premises and equipment	(12,878)	(34,384)
Gain on sale of debt-type investments	(785,182)	(545,966)
(Gain) / Loss on sale of equity-type investment	(611,453)	613,270
Operating profit before changes in operating assets and liabilities	831,388	799,376
Net changes in operating assets and liabilities:		
Sales receivables	(4,171,815)	9,769,604
Mudaraba financing	5,589,245	1,835,229
Ijara Muntahia Bittamleek	(3,202,544)	(3,299,030)
Musharaka	(2,102,432)	(1,169,144)
Ijara income receivables	1,293,712	(2,374,113)
Other assets	858,330	1,114,148
Other liabilities	4,922,045	(38,886,086)
Due to banks and financial institutions	(20,586,144)	(7,929,939)
Current accounts	5,927,637	(5,823,740)
Equity of investment accountholders	49,686,742	(54,002,034)
Taxation paid	(176,070)	(213,773)
Net cash from / (used in) operating activities	38,870,094	(100,179,502)
INVESTING ACTIVITIES		
Purchase of investments	(30,913,102)	(22,600,158)
Sale of investments	27,401,519	27,901,339
Net (purchase) / sale of premises and equipment	(1,245,658)	4,723
Purchase of investment in real estate	(616)	(99,024)
Net cash (used in) / from investing activities	(4,757,857)	5,206,880
Foreign currency translation adjustments	(1,709,710)	(1,203,408)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	32,402,527	(96,176,030)
Cash and cash equivalents at 1 January	108,578,391	175,999,403
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	140,980,918	79,823,373

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

Cash in hand	7,003,754	5,404,232
Balances with central banks	23,417,266	17,359,963
Balances with other banks and financial institutions	63,211,805	34,198,070
Sales receivables - international commodities	47,348,093	22,861,108
	140,980,918	79,823,373

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the nine months period ended 30 September 2013 (Unaudited)

Equity attributable to shareholders of the parent

	Reserves										Non-controlling interest	Total owners' equity	
	Cumulative changes in fair value												Total
	Share capital	Statutory	General	Foreign exchange	Retained earnings								
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Balance at 1 January 2013	46,166,591	8,199,308	3,275,053	(2,948,793)	2,401,157	56,774,125	6,850,771	63,624,896					
Cumulative changes in fair value	-	-	-	-	-	284,621	-	284,621					
Foreign currency translation reserve	-	-	-	(1,708,337)	-	-	-	(1,708,337)					
Net loss for the period	-	-	-	-	(136,444)	-	-	(136,444)					
Balance at 30 September 2013	46,166,591	8,199,308	3,275,053	(4,657,130)	2,264,713	55,213,965	5,904,354	61,118,319					
Balance at 1 January 2012	46,166,591	8,199,308	3,275,053	(1,246,171)	5,646,275	59,197,377	8,224,672	67,422,049					
Cumulative changes in fair value	-	-	-	-	-	2,597,062	-	2,597,062					
Foreign currency translation reserve	-	-	-	(1,175,668)	-	-	-	(1,175,668)					
Net loss for the period	-	-	-	-	(2,264,651)	-	-	(2,264,651)					
Balance at 30 September 2012	46,166,591	8,199,308	3,275,053	(2,421,839)	3,381,624	58,354,120	7,174,205	65,528,325					

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

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

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

For the nine months period ended 30 September 2013 (Unaudited)

	<i>Balance at 1 January 2013 BD</i>	<i>Net deposits (withdrawals) BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 30 September 2013 BD</i>
Sales receivables	40,689,258	(25,171,409)	27,243	(12,444)	15,532,648
Investments	4,564,463	(280,615)	-	-	4,283,848
Mudaraba	5,254,925	1,391,283	-	-	6,646,208
	50,508,646	(24,060,741)	27,243	(12,444)	26,462,704

	<i>Balance at 1 January 2012 BD</i>	<i>Net deposits (withdrawals) BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 30 September 2012 BD</i>
Sales receivables	88,731,094	(35,715,079)	441,191	(53,427)	53,403,779
Investments	4,231,932	302,646	-	-	4,534,578
Mudaraba	5,042,464	44,234	-	-	5,086,698
	98,005,490	(35,368,199)	441,191	(53,427)	63,025,055

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

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 7 November 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the nine month period ended 30 September 2013 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 2012. In addition, results for the nine month period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 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 Bahraini Dinars (BD).

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 are the principle subsidiaries of the Bank, which are consolidated in these interim consolidated financial statements:

<i>Bank</i>	<i>Ownership for 2013</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/offices at 30 September 2013</i>
<i>Held directly by the Bank</i>				
Al Baraka Bank (Pakistan) Limited*	64.64%	2004	Pakistan	94
Delmon properties company S.A.L**	100%	2011	Lebanon	N/A

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

**The Company is a Special Purpose Vehicle (SPV) established by the Bank for the sole purpose of acquiring and leasing properties which was approved by the CBB via a letter dated 29 December 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

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 to be raised to Rs. 10 billion (BD 35.54 million). The subsidiary was granted exemption from the MCR by the SBP vide its letter no. BSD/BAI-3/608/4673/2011 dated 14 April 2011 for a period of three years, i.e. 31 December 2010, 2011 and 2012 subject to the compliance of the following conditions during the exemption period:

i) The subsidiary shall maintain paid up capital (free of losses) of at least Rs.6 billion (BD 21.33 million) at all times and raise the paid up capital (free of losses) to Rs.6.5 billion (BD 23.10 million) in the year 2011, Rs.8 billion (BD 28.44 million) in the year 2012 and Rs.10 billion (BD 35.54 million) in the year 2013;

ii) The subsidiary shall maintain Capital Adequacy ratio (CAR) of 15% or above during the period;

iii) There would be moratorium on dividend payments until the subsidiary meets existing regulatory capital requirements; and

iv) The subsidiary shall not undertake related party transaction circulated vide BCD Circular No. 4 of 17 February 2006.

The subsidiary will be subject to Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) as of 31 December 2013 and onwards as per BSD Circular no.7 dated 15 April 2009 plus an additional amount of Rs.383.14 million (BD 1.36 million).

During 2012, the subsidiary was granted further timeline extension by SBP, vide its letter no. BSD/CS/13226/12/2012 dated 08 November 2012 for compliance with the MCR and CAR requirements subject to the submission of capital enhancement plan. The subsidiary has finalised its capital enhancement plan and is under discussion with the SBP for its approval.

The Bank as the parent is fully committed to comply with 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 (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. An assessment is made at each date of statement of financial position to determine whether there is objective evidence that investment may be impaired. If such evidence exist, an impairment loss is recognised in the consolidated statement of income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments adopted by the Group

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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group has made the applicable disclosures as required by IAS 34 in note 8.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group does not set off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group has made the applicable disclosures as required by IFRS 13 in note 3 and 10.

FAS 26 Investment in Real Estate

The Group has adopted FAS 26 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation or both. The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

3 INVESTMENTS

	30 September 2013			Audited 31 December 2012		
	Self financed BD	Jointly financed BD	Total BD	Self financed BD	Jointly financed BD	Total BD
i) Debt-type instruments at amortised cost						
Quoted						
Sukuk	-	21,319,199	21,319,199	-	11,131,960	11,131,960
Unquoted						
Sukuk	23,922,795	86,480,488	110,403,283	15,931,047	93,502,710	109,433,757
	23,922,795	107,799,687	131,722,482	15,931,047	104,634,670	120,565,717
ii) Equity-type instruments at fair value through equity						
Quoted						
Private equity	-	61,937	61,937	-	111,585	111,585
Managed funds	-	-	-	5,090,006	-	5,090,006
Unquoted						
Private equity (note 3.1)	10,688,448	185,545	10,873,993	24,322,405	202,568	24,524,973
Real estate related	2,513,457	960,982	3,474,439	1,385,970	969,805	2,355,775
Others	377,000	1,888,375	2,265,375	377,000	1,889,597	2,266,597
	13,578,905	3,096,839	16,675,744	31,175,381	3,173,555	34,348,936
Less: Provision for impairment	(1,221,504)	(1,201,095)	(2,422,599)	(2,603,169)	(1,234,000)	(3,837,169)
Total investments	36,280,196	109,695,431	145,975,627	44,503,259	106,574,225	151,077,484

Included in quoted equity type instruments, BD 35 thousand (2012: BD 3,779 thousand) of investments are fair valued using quoted prices in active markets for identical instruments;

Within unquoted equity type instruments, BD 2,269 thousand (2012: BD 15,923 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 12,387 thousand (2012: BD 10,434 thousand) which are held at cost less provision for impairment.

The Group's investments in sukuk held at amortised cost amounting to BD 131,284 thousand (2012: BD 120,078 thousand) has a fair value amounting to BD 130,484 thousand (2012: BD 121,213 thousand).

Note 3.1

During the period, the Group sold 7.68% equity stake in Al Tawfeeq a related party for a consideration of BD 13,690 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

4 INVESTMENT IN REAL ESTATE

	30 September 2013 BD	<i>Audited</i> 31 December 2012 BD
Buildings	1,670,665	1,571,641
Additions	616	99,024
	1,671,281	1,670,665
Less: Provision for impairment	(462,573)	(462,573)
	1,208,708	1,208,092

5 OTHER ASSETS

	30 September 2013 BD	<i>Audited</i> 31 December 2012 BD
Subordinated qard hasan (note 5.1)	10,053,125	-
Deferred tax	5,439,037	5,251,520
Advance against financing transactions	4,399,465	4,883,091
Accounts receivable	1,938,776	2,340,807
Advance tax	985,537	1,076,419
Collateral pending sale	694,608	694,608
Income receivable	117,184	135,271
Others	4,793,071	4,266,068
Total	28,420,803	18,647,784
Less: Provision for impairment	(994,353)	(597,245)
	27,426,450	18,050,539

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 September 2013 BD	<i>Audited</i> 31 December 2012 BD
Margins received	6,434,934	2,631,918
Bills payable	2,982,243	2,897,460
Security deposit against Ijara Muntahia Bittamleek	2,819,972	2,484,419
Accounts payable	1,976,894	1,562,890
Provision for employees benefits	1,404,281	1,369,602
Rental received in advance	764,406	441,137
Charity fund	535,656	654,662
Others	659,021	613,274
	17,577,407	12,655,362

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

7 CONTINGENCIES AND COMMITMENTS

	30 September 2013 BD	<i>Audited</i> 31 December 2012 BD
Letters of credit	32,283,649	23,034,316
Guarantees	22,921,937	19,224,531
Foreign exchange contracts	16,316,035	23,876,865
Acceptances	9,276,411	7,592,912
Taxation	721,902	788,135
Others	1,110,006	1,259,497
	82,629,940	75,776,256

8 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>	
	30 September 2013 BD	31 December 2012 BD	30 September 2013 BD	31 December 2012 BD
Assets	281,631,100	252,085,525	290,522,203	282,662,411
Liabilities and equity of investment accountholders	237,550,787	208,206,366	273,484,197	262,916,674
	<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2013 BD	2012 BD	2013 BD	2012 BD
Total operating income	5,789,267	5,769,951	6,850,592	5,872,284
Total operating expenses	(5,285,844)	(5,407,883)	(5,898,608)	(5,791,759)
Provision for impairment - net Loss on sale of equity-type investment	(40,983)	(866,216)	(2,330,820)	(2,582,083)
		(613,270)	-	-
Taxation	-	-	452,345	726,754
Income / (loss) for the period	462,440	(1,117,418)	(926,491)	(1,774,804)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

9 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 September 2013 BD	31 December 2012 BD	30 September 2013 BD	31 December 2012 BD	30 September 2013 BD	31 December 2012 BD
Assets:						
Cash and balances with banks and financial institutions	27,965	4,946	73,573	32,294	101,538	37,240
Sales receivables	-	-	13,377,108	5,802,516	13,377,108	5,802,516
Mudaraba financing	-	-	7,553,324	13,142,569	7,553,324	13,142,569
Ijara Muntahia Bittamleek	-	-	1,814,365	1,889,191	1,814,365	1,889,191
Musharaka	-	-	355,407	278,795	355,407	278,795
Ijara income receivables	-	-	356,875	5,183	356,875	5,183
Investments	-	-	10,527,454	24,164,347	10,527,454	24,164,347
Other assets	1,026,459	215,753	10,122,055	89,899	11,148,514	305,652
	1,054,424	220,699	44,180,161	45,404,794	45,234,585	45,625,493
Liabilities:						
Due to banks and other financial institutions	1,478,228	1,117,621	5,159,315	9,614,087	6,637,543	10,731,708
Current accounts	741,961	768,725	306,980	161,393	1,048,941	930,118
Other liabilities	7,458	8,142	490	311	7,948	8,453
	2,227,647	1,894,488	5,466,785	9,775,791	7,694,432	11,670,279
Equity of Investment accountholders	5,966,082	8,238,214	34,892,336	27,597,283	40,858,418	35,835,497
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	3,065,010	9,543,709	8,037,526	10,502,255	11,102,536	20,045,964
Contingencies and commitments	-	-	6,586,357	6,970,940	6,586,357	6,970,940

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

	Nine months ended 30 September	
	2013 BD	2012 BD
Income		
Income from jointly financed sales	145,646	23,144
Income from jointly financed, other financings and investments	384,648	373,114
Group's income from self financed, other financings and investments	57,816	109,176
Other revenues	162,416	162,416
Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders	11,914	12,535
	762,440	680,385

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

9 RELATED PARTY TRANSACTIONS (continued)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2013	2012
	BD	BD
Expenses		
Return on equity of investment accountholders before Group's share as a Mudarib	719,875	938,937
Other expenses	91,225	89,180
	811,100	1,028,117
Loss on sale of equity-type investment	-	(613,270)

Compensation of key management personnel is as follows:

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2013	2012
	BD	BD
Salaries	859,142	864,486
Other benefits	519,397	498,947
	1,378,539	1,363,433

10 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.

Except as disclosed in note 3, the fair values of other financial instruments on the interim consolidated statement of financial position are not significantly different from their carrying values.

11 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.