

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 MARCH 2012 (UNAUDITED)**

## REVIEW REPORT TO THE BOARD OF DIRECTORS OF AL BARAKA ISLAMIC BANK B.S.C. (c)

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiary ("the Group") as at 31 March 2012, comprising of the interim consolidated statement of financial position as at 31 March 2012 and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity investment accountholders for the three 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.



14 May 2012  
Manama, Kingdom of Bahrain

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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 March 2012 (Unaudited)

|  | Notes | 31 March<br>2012<br>BD | Audited<br>31 December<br>2011<br>BD |
|--|-------|------------------------|--------------------------------------|
| <b>ASSETS</b>  |       |                        |                                      |
| Cash and balances with banks and financial institutions                              |       | 64,909,127             | 95,393,893                           |
| Sales receivables  |       | 187,942,850            | 228,973,907                          |
| Mudaraba financing   |       | 9,599,353              | 9,634,847                            |
| Ijara Muntahia Bittamleek  |       | 38,917,305             | 38,664,092                           |
| Musharaka  |       | 24,701,440             | 23,739,098                           |
| Investments  |       | 162,391,205            | 159,068,730                          |
| Investment in real estate  |       | 1,208,092              | 1,109,068                            |
| Ijara income receivables   |       | 10,042,332             | 9,594,803                            |
| Premises and equipment   |       | 8,936,810              | 9,292,275                            |
| Goodwill   |       | 7,688,119              | 7,752,439                            |
| Other assets   | 3     | 16,978,941             | 19,141,742                           |
| <b>TOTAL ASSETS</b>  |       | <b>533,315,574</b>     | <b>602,364,894</b>                   |
| <b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS<br/>AND OWNERS' EQUITY</b>       |       |                        |                                      |
| <b>Liabilities</b>   |       |                        |                                      |
| Due to banks and financial institutions  |       | 17,005,609             | 37,252,577                           |
| Current accounts   |       | 37,702,556             | 48,732,822                           |
| Other liabilities  | 4     | 13,278,959             | 50,701,525                           |
| <b>Total liabilities</b>   |       | <b>67,987,124</b>      | <b>136,686,924</b>                   |
| <b>Equity of investment accountholders</b>   |       | <b>398,442,485</b>     | <b>398,255,921</b>                   |
| <b>Owners' Equity</b>  |       |                        |                                      |
| Share capital  |       | 46,166,591             | 46,166,591                           |
| Reserves   |       | 7,579,452              | 7,384,511                            |
| Retained earnings  |       | 5,175,854              | 5,646,275                            |
| <b>Equity attributable to parent's shareholders</b>                                  |       | <b>58,921,897</b>      | <b>59,197,377</b>                    |
| Non-controlling interest   |       | 7,964,068              | 8,224,672                            |
| <b>Total owners' equity</b>  |       | <b>66,885,965</b>      | <b>67,422,049</b>                    |
| <b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS<br/>AND OWNERS' EQUITY</b> |       | <b>533,315,574</b>     | <b>602,364,894</b>                   |
| <b>OFF-BALANCE SHEET ITEMS:</b>  |       |                        |                                      |
| <b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>   |       | <b>75,825,115</b>      | <b>98,005,490</b>                    |
| <b>CONTINGENCIES AND COMMITMENTS</b>   | 5     | <b>87,301,828</b>      | <b>123,883,022</b>                   |

  
Khalid Rashid Al-Zayani  
Chairman

  
Adnan Ahmed Yousif  
Deputy Chairman

  
Mohammed Essa Al Mutaweh  
Chief Executive & Board Member

The attached explanatory notes 1 to 7 form part of these interim condensed consolidated financial statements.

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

**INTERIM CONSOLIDATED STATEMENT OF INCOME**

For the three month period ended 31 March 2012 (Unaudited)

|  | <i>Three months ended</i> |             |
|--|---------------------------|-------------|
|  | <i>31 March</i>           |             |
|  | <u>2012</u>               | <u>2011</u> |
|  | <i>BD</i>                 | <i>BD</i>   |
| <b>INCOME</b>  |                           |             |
| Income from jointly financed sales                             | <b>3,085,671</b>          | 3,825,676   |
| Income from jointly financed, other financings and investments | <b>5,257,115</b>          | 4,147,285   |
| Joint investment income  | <b>8,342,786</b>          | 7,972,961   |
| Return on equity of investment accountholders before           |                           |             |
| Group's share as a Mudarib                                     | <b>(7,580,438)</b>        | (7,024,574) |
| Group's share as a Mudarib                                     | <b>1,154,305</b>          | 1,072,404   |
| Return on equity of investment accountholders                  | <b>(6,426,133)</b>        | (5,952,170) |
| Group's share of income from equity of investment              |                           |             |
| accountholders (as a Mudarib and Rabalmaal)                    | <b>1,916,653</b>          | 2,020,791   |
| Group's income from self financed sales                        | <b>36,818</b>             | 2,778       |
| Group's income from self financed, other                       |                           |             |
| financings and investments                                     | <b>730,121</b>            | 1,303,643   |
| Revenue from banking services                                  | <b>599,514</b>            | 656,759     |
| Other income   | <b>235,505</b>            | 573,633     |
| Group's Mudarib/agency fee from off-balance sheet              |                           |             |
| equity of investment account holders                           | <b>8,498</b>              | 7,446       |
| <b>TOTAL OPERATING INCOME</b>                                  | <b>3,527,109</b>          | 4,565,050   |
| <b>OPERATING EXPENSES</b>                                      |                           |             |
| Staff expenses   | <b>(2,232,433)</b>        | (1,845,362) |
| Depreciation   | <b>(321,860)</b>          | (362,010)   |
| Profit on due to banks and financial institutions              | <b>(5,033)</b>            | (7,035)     |
| Other operating expenses                                       | <b>(1,400,195)</b>        | (1,505,937) |
| <b>TOTAL OPERATING EXPENSES</b>                                | <b>(3,959,521)</b>        | (3,720,344) |
| <b>NET (LOSS) / INCOME FOR THE PERIOD BEFORE</b>               |                           |             |
| <b>PROVISION FOR IMPAIRMENT AND TAXATION</b>                   | <b>(432,412)</b>          | 844,706     |
| Provision for impairment - net                                 | <b>(569,174)</b>          | (96,812)    |
| <b>NET (LOSS) / INCOME BEFORE TAXATION</b>                     | <b>(1,001,586)</b>        | 747,894     |
| Taxation   | <b>317,871</b>            | (66,968)    |
| <b>(LOSS) / INCOME FOR THE PERIOD</b>                          | <b>(683,715)</b>          | 680,926     |
| Attributable to:   |                           |             |
| Equity shareholders of the parent                              | <b>(470,421)</b>          | 587,037     |
| Non-controlling interest                                       | <b>(213,294)</b>          | 93,889      |
|  | <b>(683,715)</b>          | 680,926     |

The attached explanatory notes 1 to 7 form part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three month period ended 31 March 2012 (Unaudited)

|  | <i>Three months ended</i> |              |
|--|---------------------------|--------------|
|  | <i>31 March</i>           |              |
|  | <b>2012</b>               | <b>2011</b>  |
|  | <b>BD</b>                 | <b>BD</b>    |
| <b>OPERATING ACTIVITIES</b>  |                           |              |
| Net (loss) income before taxation  | <b>(1,001,586)</b>        | 747,894      |
| Adjustments for :  |                           |              |
| Depreciation   | <b>321,860</b>            | 362,010      |
| Provision for impairment - net   | <b>569,174</b>            | 96,812       |
| Unrealised remeasurement (gain) loss   | <b>(162,949)</b>          | 53,002       |
| Gain on sale of premises and equipment   | <b>(7,262)</b>            | (6,030)      |
| Gain on sale of investments  | <b>(153,804)</b>          | (209,302)    |
| Operating (loss) profit before changes in operating assets and liabilities                                 | <b>(434,567)</b>          | 1,044,386    |
| Net changes in operating assets and liabilities:   |                           |              |
| Sales receivables  | <b>9,662,863</b>          | 6,686,947    |
| Mudaraba financing   | <b>35,494</b>             | (4,129)      |
| Ijara Muntahia Bittamleek  | <b>(253,213)</b>          | 2,754,495    |
| Musharaka  | <b>(1,300,391)</b>        | (361,322)    |
| Ijara income receivables   | <b>(481,081)</b>          | (1,552,345)  |
| Other assets   | <b>3,081,753</b>          | 3,562,821    |
| Other liabilities  | <b>(37,422,565)</b>       | 561,526      |
| Due to banks and financial institutions  | <b>(20,246,967)</b>       | 418,673      |
| Current accounts   | <b>(11,030,265)</b>       | (6,933,884)  |
| Equity of investment accountholders  | <b>186,564</b>            | (3,926,560)  |
| Taxation paid  | <b>(601,082)</b>          | (76,483)     |
| Net cash (used in) from operating activities   | <b>(58,803,457)</b>       | 2,174,125    |
| <b>INVESTING ACTIVITIES</b>  |                           |              |
| Purchase of investments  | <b>(13,357,503)</b>       | (29,955,136) |
| Sale of investments  | <b>10,756,859</b>         | 2,554,951    |
| Net (sale) purchase of premises and equipment  | <b>40,866</b>             | (163,123)    |
| Purchase of investment in real estate  | <b>(99,024)</b>           | -            |
| Net cash used in investing activities  | <b>(2,658,802)</b>        | (27,563,308) |
| Foreign currency translation adjustments   | <b>(193,131)</b>          | 82,515       |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>(61,655,390)</b>       | (25,306,668) |
| Cash and cash equivalents at 1 January   | <b>175,999,403</b>        | 135,346,348  |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>  | <b>114,344,013</b>        | 110,039,680  |
| For the purpose of the interim cash flows statement, cash and cash equivalents comprised of the following: |                           |              |
| Cash in hand   | <b>5,615,073</b>          | 5,261,124    |
| Balances with central banks  | <b>17,127,116</b>         | 14,219,752   |
| Balances with other banks and financial institutions   | <b>42,166,938</b>         | 28,345,927   |
| Sales receivables - international commodities  | <b>49,434,886</b>         | 62,212,877   |
|  | <b>114,344,013</b>        | 110,039,680  |

The attached explanatory notes 1 to 7 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 three month period ended 31 March 2012 (Unaudited)

Equity attributable to shareholders of the parent

|                                      | Reserves          |                  |                  |                                  | Retained earnings  | Total            | Non-Controlling Interest | Total owners' equity |
|--------------------------------------|-------------------|------------------|------------------|----------------------------------|--------------------|------------------|--------------------------|----------------------|
|                                      | Share capital     | Statutory        | General          | Cumulative changes in fair value |                    |                  |                          |                      |
| Balance at 1 January 2012            | 46,166,591        | 8,199,308        | 3,275,053        | (2,843,679)                      | (1,246,171)        | 5,646,275        | 8,224,672                | 67,422,049           |
| Cumulative changes in fair value     | -                 | -                | -                | 384,100                          | -                  | -                | 20,981                   | 405,081              |
| Foreign currency translation reserve | -                 | -                | -                | -                                | (189,159)          | -                | (68,291)                 | (257,450)            |
| Net loss for the period              | -                 | -                | -                | -                                | -                  | (470,421)        | (213,294)                | (683,715)            |
| <b>Balance at 31 March 2012</b>      | <b>46,166,591</b> | <b>8,199,308</b> | <b>3,275,053</b> | <b>(2,459,579)</b>               | <b>(1,435,330)</b> | <b>5,175,854</b> | <b>7,964,068</b>         | <b>66,885,965</b>    |
| Balance at 1 January 2011            | 46,166,591        | 8,132,290        | 3,275,053        | (1,657,943)                      | -                  | 5,043,117        | 8,391,975                | 69,351,083           |
| Cumulative changes in fair value     | -                 | -                | -                | (237,282)                        | -                  | -                | 793                      | (236,489)            |
| Foreign currency translation reserve | -                 | -                | -                | -                                | 53,338             | -                | 29,177                   | 82,515               |
| Net loss for the period              | -                 | -                | -                | -                                | -                  | 587,037          | 93,889                   | 680,926              |
| Balance at 31 March 2011             | 46,166,591        | 8,132,290        | 3,275,053        | (1,895,225)                      | 53,338             | 5,630,154        | 8,515,834                | 69,878,035           |

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

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

For the three month period ended 31 March 2012 (Unaudited)

|                    | <i>Balance at<br/>1 January 2012<br/>BD</i> | <i>Net<br/>deposits<br/>(withdrawals)<br/>BD</i> | <i>Gross<br/>income<br/>BD</i> | <i>Mudarib's/<br/>agency<br/>fee<br/>BD</i> | <i>Balance at<br/>31 March<br/>2012<br/>BD</i> |
|--------------------|---|--|--------------------------------|---|--|
| Sales receivables  | 88,731,094                                  | (22,769,359)                                     | 61,955                         | (8,498)                                     | 66,015,192                                     |
| Investments        | 4,231,932                                   | 331,679  | -                              | -   | 4,563,611                                      |
| Mudaraba financing | 5,042,464                                   | 203,848  | -                              | -   | 5,246,312                                      |
|                    | <b>98,005,490</b>                           | <b>(22,233,832)</b>                              | <b>61,955</b>                  | <b>(8,498)</b>                              | <b>75,825,115</b>                              |
|                    | <i>Balance at<br/>1 January 2011<br/>BD</i> | <i>Net<br/>deposits<br/>(withdrawals)<br/>BD</i> | <i>Gross<br/>income<br/>BD</i> | <i>Mudarib's/<br/>agency<br/>fee<br/>BD</i> | <i>Balance at<br/>31 March<br/>2011<br/>BD</i> |
| Sales receivables  | 59,369,187                                  | 1,305,994  | 32,934                         | (7,201)                                     | 60,700,914                                     |
| Investments        | 4,487,395                                   | (140,520)  | 1,753                          | (245)                                       | 4,348,383                                      |
| Mudaraba financing | 5,097,135                                   | 513,304  | -                              | -   | 5,610,439                                      |
|                    | <b>68,953,717</b>                           | <b>1,678,778</b>                                 | <b>34,687</b>                  | <b>(7,446)</b>                              | <b>70,659,736</b>                              |

The attached explanatory notes 1 to 7 form part of these interim condensed consolidated financial statements.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 31 March 2012 (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 Commercial Registration of the Bank was renewed on 7 January 2008 to change the status from exempt closed joint stock company to closed joint stock company. 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 14 May 2012.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The interim condensed consolidated financial statements for the three month period ended 31 March 2012 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 2011. In addition, results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

**2.2 Accounting convention**

The interim condensed consolidated financial statements are prepared on historical cost basis, except for investment in real estate, equity-type instruments through statement of income 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 Significant accounting policies**

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 2011, which were prepared in accordance with Financial Accounting Standards issued by Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI"), the Shari'a Rules and Principles, the Bahrain Commercial Companies Law, Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards (the "IFRSs").

**2.4 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.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 31 March 2012 (Unaudited)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.4 Basis of consolidation (continued)**

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

| <i>Bank</i>                             | <i>Ownership<br/>for 2012</i> | <i>Year of<br/>incorporation</i> | <i>Country of<br/>incorporation</i> | <i>No. of<br/>branches/<br/>offices at<br/>31 March<br/>2012</i> |
|---|-------------------------------|----------------------------------|-------------------------------------|--|
| <b><i>Held directly by the Bank</i></b> |                               |                                  |                                     |  |
| Al Baraka Bank (Pakistan) Limited       | 64.64%                        | 2004                             | Pakistan                            | 89   |
| Delmon properties company S.A.L.        | 100%                          | 2011                             | Lebanon                             | N/A  |

**3 OTHER ASSETS**

|  | <i>31 March<br/>2012<br/>BD</i> | <i>Audited<br/>31 December<br/>2011<br/>BD</i> |
|--|---------------------------------|--|
| Advance against financing transactions | <b>3,984,173</b>                | 6,737,680                                      |
| Deferred tax                           | <b>4,698,586</b>                | 4,323,750                                      |
| Accounts receivable                    | <b>1,987,411</b>                | 1,838,514                                      |
| Advance tax                            | <b>974,871</b>                  | 997,275  |
| Collateral pending sale                | <b>694,608</b>                  | 694,608  |
| Income receivable                      | <b>148,431</b>                  | 451,690  |
| Others                                 | <b>4,772,088</b>                | 4,381,804                                      |
| <b>Total</b>                           | <b>17,260,168</b>               | 19,425,321                                     |
| Less: Provision for impairment         | <b>(281,227)</b>                | (283,579)                                      |
|  | <b>16,978,941</b>               | 19,141,742                                     |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

4 OTHER LIABILITIES

|  | <b>31 March</b>   | <i>Audited</i>     |
|--|-------------------|--------------------|
|  | <b>2012</b>       | <i>31 December</i> |
|  | <b>BD</b>         | <i>2011</i>        |
|  |                   | <i>BD</i>          |
| Margins received                                   | <b>3,631,069</b>  | 39,738,066         |
| Security deposit against Ijara Muntahia Bittamleek | <b>2,690,006</b>  | 2,813,732          |
| Accounts payable                                   | <b>1,349,307</b>  | 2,611,283          |
| Bills payable                                      | <b>2,592,659</b>  | 1,861,496          |
| Provision for employees benefits                   | <b>1,079,730</b>  | 1,096,043          |
| Unearned profit on Ijara assets                    | <b>241,824</b>    | 861,368            |
| Charity fund                                       | <b>600,667</b>    | 533,432            |
| Others   | <b>1,093,697</b>  | 1,186,105          |
|  | <b>13,278,959</b> | <b>50,701,525</b>  |

5 CONTINGENCIES AND COMMITMENTS

|                            | <b>31 March</b>   | <i>Audited</i>     |
|----------------------------|-------------------|--------------------|
|                            | <b>2012</b>       | <i>31 December</i> |
|                            | <b>BD</b>         | <i>2011</i>        |
|                            |                   | <i>BD</i>          |
| Guarantees                 | <b>23,010,461</b> | 22,111,693         |
| Letters of credit          | <b>29,084,056</b> | 68,824,878         |
| Acceptances                | <b>15,295,631</b> | 18,119,088         |
| Foreign exchange contracts | <b>17,198,668</b> | 12,061,055         |
| Taxation                   | <b>484,297</b>    | 488,349            |
| Others                     | <b>2,228,715</b>  | 2,277,959          |
|                            | <b>87,301,828</b> | <b>123,883,022</b> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

6 SEGMENTAL INFORMATION

The primary segment adopted by the Group is geographic, since the Group operates to provide products and services in separate economic environments having risk and rewards that are different for each economic environment. The two geographical segments are Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

|   | <i>Middle East</i>                     |  | <i>Other Asian Countries</i>           |  |
|---|--|--|--|--|
|   | <b>31 March<br/>2012</b><br><i>BD</i>  | <i>31 December<br/>2011</i><br><i>BD</i> | <b>31 March<br/>2012</b><br><i>BD</i>  | <i>31 December<br/>2011</i><br><i>BD</i> |
| Assets  | <b>249,267,067</b>                     | 302,105,503                              | <b>284,048,507</b>                     | 300,259,391                              |
| Liabilities and equity of investment accountholders | <b>205,301,731</b>                     | 258,344,411                              | <b>261,127,878</b>                     | 276,598,434                              |
|   | <i>Three months ended<br/>31 March</i> |  | <i>Three months ended<br/>31 March</i> |  |
|   | <b>2012</b><br><i>BD</i>               | <i>2011</i><br><i>BD</i>                 | <b>2012</b><br><i>BD</i>               | <i>2011</i><br><i>BD</i>                 |
| Total operating income                              | <b>1,890,565</b>                       | 1,804,333                                | <b>1,636,544</b>                       | 2,760,717                                |
| Total operating expenses                            | <b>(1,971,791)</b>                     | (1,717,369)                              | <b>(1,987,730)</b>                     | (2,002,975)                              |
| Provision for impairment - net                      | <b>717</b>                             | 328,438                                  | <b>(569,891)</b>                       | (425,250)                                |
| Taxation  | -                                      | -  | <b>317,871</b>                         | (66,968)                                 |
| Income (loss) for the period                        | <b>(80,509)</b>                        | 415,402                                  | <b>(603,206)</b>                       | 265,524                                  |

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

### 7 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             |                   |
|---|-------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|
|   | 31 March          | 31 December       | 31 March              | 31 December       | 31 March          | 31 December       |
|   | 2012              | 2011              | 2012                  | 2011              | 2012              | 2011              |
|   | BD                | BD                | BD                    | BD                | BD                | BD                |
| <b>Assets:</b>  |                   |                   |                       |                   |                   |                   |
| Cash and balances with banks and financial institutions | 8,832             | -                 | 87,279                | 115,492           | 96,111            | 115,492           |
| Sales receivables                                       | -                 | 9,017,178         | 159,323               | 2,429,554         | 159,323           | 11,446,732        |
| Mudaraba financing                                      | -                 | -                 | 9,599,353             | 9,634,848         | 9,599,353         | 9,634,848         |
| Ijara Muntahia Bittamleek                               | -                 | -                 | 2,321,443             | 2,297,968         | 2,321,443         | 2,297,968         |
| Musharaka   | -                 | -                 | 280,443               | 127,952           | 280,443           | 127,952           |
| Ijara income receivables                                | -                 | -                 | 187,279               | 11,298            | 187,279           | 11,298            |
| Investments   | -                 | -                 | 24,005,036            | 24,103,360        | 24,005,036        | 24,103,360        |
| Other assets  | 117,631           | 155,032           | 661                   | 92,615            | 118,292           | 247,647           |
|   | <b>126,463</b>    | <b>9,172,210</b>  | <b>36,640,817</b>     | <b>38,813,087</b> | <b>36,767,280</b> | <b>47,985,297</b> |
| <b>Liabilities:</b>                                     |                   |                   |                       |                   |                   |                   |
| Due to banks and other financial institutions           | 814,570           | 2,819,149         | 3,072,653             | 5,745,374         | 3,887,223         | 8,564,523         |
| Current accounts  | 753,318           | 760,239           | 199,671               | 217,960           | 952,989           | 978,199           |
| Other liabilities                                       | 8,722             | 8,795             | -                     | 829,536           | 8,722             | 838,331           |
|   | <b>1,576,610</b>  | <b>3,588,183</b>  | <b>3,272,324</b>      | <b>6,792,870</b>  | <b>4,848,934</b>  | <b>10,381,053</b> |
| Equity of investment accountholders                     | <b>9,032,417</b>  | <b>10,427,173</b> | <b>30,189,849</b>     | <b>31,666,738</b> | <b>39,222,266</b> | <b>42,093,911</b> |
| <b>OFF-BALANCE SHEET ITEMS:</b>                         |                   |                   |                       |                   |                   |                   |
| Equity of investment accountholders                     | <b>10,628,189</b> | <b>10,676,211</b> | <b>11,958,626</b>     | <b>47,779,988</b> | <b>22,586,815</b> | <b>58,456,199</b> |
| Contingencies and commitments                           | -                 | -                 | <b>6,366,720</b>      | <b>5,492,347</b>  | <b>6,366,720</b>  | <b>5,492,347</b>  |

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

|   | Three months ended |                |
|---|--------------------|----------------|
|   | 31 March           |                |
|   | 2012               | 2011           |
|   | BD                 | BD             |
| <b>Income</b>   |                    |                |
| Income from jointly financed sales  | 16,329             | 56,607         |
| Income from jointly financed, other financings and investments                        | 125,233            | 91,167         |
| Group's income from self financed, other financings and investments                   | 36,266             | 45,996         |
| Other revenues  | 76,759             | 54,139         |
| Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders | 4,782              | -              |
|   | <b>259,369</b>     | <b>247,909</b> |
| <b>Expenses</b>   |                    |                |
| Return on equity of investment accountholders before Group's share as a Mudarib       | 391,194            | 430,514        |
|   | <b>391,194</b>     | <b>430,514</b> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

7 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

Key management personnel includes the staff in grade of senior manager and above.

|                | <i>Three months ended</i> |                |
|----------------|---------------------------|----------------|
|                | <i>31 March</i>           |                |
|                | <i>2012</i>               | <i>2011</i>    |
|                | <i>BD</i>                 | <i>BD</i>      |
| Salaries       | 345,240                   | 314,267        |
| Other benefits | 105,216                   | 76,171         |
|                | <b>450,456</b>            | <b>390,438</b> |