

**Al Baraka Islamic Bank B.S.C. (c)**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2012 (UNAUDITED)**

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

### *Introduction*

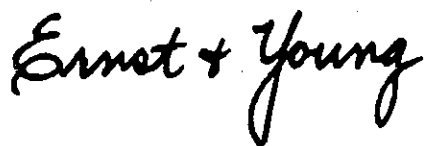
We have reviewed the accompanying interim condensed consolidated financial statements of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and subsidiaries ("the Group") as at 30 September 2012, comprising of the interim consolidated statement of financial position as at 30 September 2012 and the related 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.



4 November 2012  
Manama, Kingdom of Bahrain

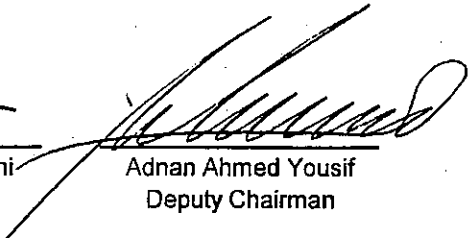
## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

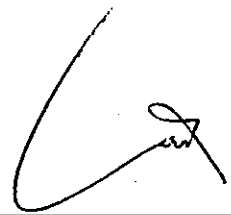
	Notes	30 September 2012 BD	Audited 31 December 2011 BD
<b>ASSETS</b>			
Cash and balances with banks and financial institutions		56,962,265	95,393,893
Sales receivables		163,541,573	228,973,907
Mudaraba financing		7,799,618	9,634,847
Ijara Muntahia Bittamleek		41,963,122	38,664,092
Musharaka		23,792,873	23,739,098
Investments		155,333,679	159,068,730
Investment in real estate		1,208,092	1,109,068
Ijara income receivables		8,949,673	9,594,803
Premises and equipment		8,384,803	9,292,275
Goodwill		7,354,655	7,752,439
Other assets	3	18,539,018	19,141,742
<b>TOTAL ASSETS</b>		<b>493,829,371</b>	<b>602,364,894</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and financial institutions		29,322,638	37,252,577
Current accounts		42,909,082	48,732,822
Other liabilities	4	11,815,439	50,701,525
<b>Total liabilities</b>		<b>84,047,159</b>	<b>136,686,924</b>
<b>Equity of investment accountholders</b>		<b>344,253,887</b>	<b>398,255,921</b>
<b>Owners' Equity</b>			
Share capital		46,166,591	46,166,591
Reserves		8,805,905	7,384,511
Retained earnings		3,381,624	5,646,275
<b>Equity attributable to parent's shareholders</b>		<b>58,354,120</b>	<b>59,197,377</b>
Non-controlling interest		7,174,205	8,224,672
<b>Total owners' equity</b>		<b>65,528,325</b>	<b>67,422,049</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>493,829,371</b>	<b>602,364,894</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>63,025,055</b>	<b>98,005,490</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	5	<b>70,309,479</b>	<b>123,883,022</b>



Khalid Rashid Al-Zayani  
Chairman



Adnan Ahmed Yousif  
Deputy Chairman



Mohammed Essa Al Mutaweh  
Chief Executive & Board Member

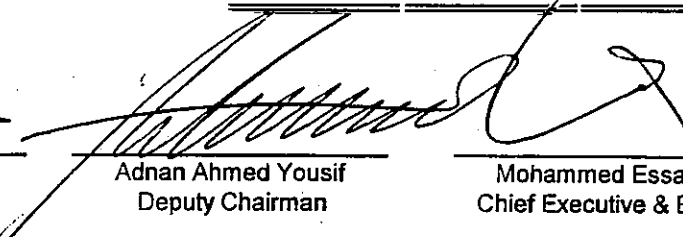
The attached explanatory notes 1 to 7 form part of these interim condensed consolidated financial statements.


# INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2012 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
<b>INCOME</b>				
Income from jointly financed sales	2,771,154	3,736,921	9,430,374	11,130,605
Income from jointly financed, other financings and investments	4,622,720	5,408,890	15,023,437	15,208,407
Joint investment income	7,393,874	9,145,811	24,453,811	26,339,012
Return on equity of investment accountholders before Group's share as a Mudarib	(6,683,751)	(8,957,685)	(21,887,510)	(24,125,588)
Group's share as a Mudarib	1,071,504	2,260,760	3,901,169	5,115,926
Return on equity of investment accountholders	(5,612,247)	(6,696,925)	(17,986,341)	(19,009,662)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	1,781,627	2,448,886	6,467,470	7,329,350
Group's income from self financed sales	194,728	2,590	231,781	7,205
Group's income from self financed, other financings and investments	381,134	318,539	2,238,265	1,722,781
Revenue from banking services	779,805	649,350	1,995,370	1,799,207
Other income	219,926	253,381	655,922	1,197,024
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	40,272	16,937	53,427	30,849
<b>TOTAL OPERATING INCOME</b>	<b>3,897,492</b>	<b>3,689,683</b>	<b>11,642,235</b>	<b>12,086,416</b>
<b>OPERATING EXPENSES</b>				
Staff expenses	(1,857,304)	(1,826,130)	(5,962,822)	(5,481,124)
Depreciation	(307,216)	(353,848)	(937,133)	(1,064,539)
Profit on due to banks and financial institutions	(5,975)	(2,179)	(15,174)	(9,271)
Other operating expenses	(1,455,305)	(1,400,970)	(4,284,513)	(4,470,525)
<b>TOTAL OPERATING EXPENSES</b>	<b>(3,625,800)</b>	<b>(3,583,127)</b>	<b>(11,199,642)</b>	<b>(11,025,459)</b>
<b>NET INCOME FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION</b>	<b>271,692</b>	<b>106,556</b>	<b>442,593</b>	<b>1,060,957</b>
Provision for impairment - net	(1,750,481)	27,841	(3,448,299)	769,481
Loss on sale of equity-type investment	(613,270)	-	(613,270)	-
<b>NET (LOSS) / INCOME BEFORE TAXATION</b>	<b>(2,092,059)</b>	<b>134,397</b>	<b>(3,618,976)</b>	<b>1,830,438</b>
Taxation	673,339	(59,459)	726,754	(473,317)
<b>(LOSS) / INCOME FOR THE PERIOD</b>	<b>(1,418,720)</b>	<b>74,938</b>	<b>(2,892,222)</b>	<b>1,357,121</b>
Attributable to:				
Equity shareholders of the parent	(1,070,136)	(60,306)	(2,264,651)	954,313
Non-controlling interest	(348,584)	135,244	(627,571)	402,808
	<b>(1,418,720)</b>	<b>74,938</b>	<b>(2,892,222)</b>	<b>1,357,121</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.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2012 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
<b>OPERATING ACTIVITIES</b>		
Net (loss) income before taxation	<b>(3,618,976)</b>	1,830,438
Adjustments for :		
Depreciation	<b>937,133</b>	1,064,539
Provision for impairment - net	<b>3,448,299</b>	(769,481)
Unrealised remeasurement loss	<b>-</b>	45,240
Gain on sale of premises and equipment	<b>(34,384)</b>	(5,037)
Gain on sale of debt-type investments	<b>(545,966)</b>	(579,290)
Loss on sale of equity-type investment	<b>613,270</b>	-
Operating profit before changes in operating assets and liabilities	<b>799,376</b>	1,586,409
Net changes in operating assets and liabilities:		
Sales receivables	<b>9,769,604</b>	6,294,954
Mudaraba financing	<b>1,835,229</b>	823,133
Ijara Muntahia Bittamleek	<b>(3,299,030)</b>	(1,399,927)
Musharaka	<b>(1,169,144)</b>	(161,555)
Ijara income receivables	<b>(2,374,113)</b>	(2,657,699)
Other assets	<b>1,114,148</b>	2,648,166
Other liabilities	<b>(38,886,086)</b>	1,757,794
Due to banks and financial institutions	<b>(7,929,939)</b>	946,735
Current accounts	<b>(5,823,740)</b>	(7,173,755)
Equity of investment accountholders	<b>(54,002,034)</b>	42,200,985
Taxation paid	<b>(213,773)</b>	(184,567)
Net cash (used in) from operating activities	<b>(100,179,502)</b>	44,680,673
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	<b>(22,600,158)</b>	(37,408,850)
Sale of investments	<b>27,901,339</b>	18,973,481
Net sale (purchase) of premises and equipment	<b>4,723</b>	(382,256)
Purchase of investment in real estate	<b>(99,024)</b>	(550,931)
Net cash from (used in) investing activities	<b>5,206,880</b>	(19,368,556)
Foreign currency translation adjustments	<b>(1,203,408)</b>	(567,685)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(96,176,030)</b>	24,744,432
Cash and cash equivalents at 1 January	<b>175,999,403</b>	135,346,349
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>79,823,373</b>	160,090,781

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

Cash in hand	<b>5,404,232</b>	6,118,900
Balances with central banks	<b>17,359,963</b>	16,205,132
Balances with other banks and financial institutions	<b>34,198,070</b>	61,164,573
Sales receivables - international commodities	<b>22,861,108</b>	76,602,176
	<b>79,823,373</b>	160,090,781

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 nine month period ended 30 September 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	Foreign exchange					BD
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Balance at 1 January 2012	46,166,591	8,199,308	3,275,053	(2,843,679)	(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	2,628	2,599,690	
Foreign currency translation reserve	-	-	-	-	-	-	(1,175,668)	(425,524)	(1,601,192)	
Net loss for the period	-	-	-	-	-	(2,264,651)	(2,264,651)	(627,571)	(2,892,222)	
<b>Balance at 30 September 2012</b>	<b>46,166,591</b>	<b>8,199,308</b>	<b>3,275,053</b>	<b>(246,617)</b>	<b>(2,421,839)</b>	<b>3,381,624</b>	<b>58,354,120</b>	<b>7,174,205</b>	<b>65,528,325</b>	
Balance at 1 January 2011	46,166,591	8,132,290	3,275,053	(1,657,943)	-	5,043,117	60,959,108	8,391,975	69,351,083	
Cumulative changes in fair value	-	-	-	(983,100)	-	-	(983,100)	(7,054)	(990,154)	
Foreign currency translation reserve	-	-	-	-	(366,951)	-	(366,951)	(200,734)	(567,685)	
Net income for the period	-	-	-	-	-	954,313	954,313	402,808	1,357,121	
<b>Balance at 30 September 2011</b>	<b>46,166,591</b>	<b>8,132,290</b>	<b>3,275,053</b>	<b>(2,641,043)</b>	<b>(366,951)</b>	<b>5,997,430</b>	<b>60,563,370</b>	<b>8,586,995</b>	<b>69,150,365</b>	

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

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

For the nine month period ended 30 September 2012 (Unaudited)

	<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 financing	5,042,464	44,234	-	-	5,086,698
	<b>98,005,490</b>	<b>(35,368,199)</b>	<b>441,191</b>	<b>(53,427)</b>	<b>63,025,055</b>

	<i>Balance at 1 January 2011 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 2011 BD</i>
Sales receivables	59,369,187	(3,183,614)	126,467	(30,604)	56,281,436
Investments	4,487,394	(192,148)	1,753	(245)	4,296,754
Mudaraba financing	5,097,135	(352,155)	-	-	4,744,980
	<b>68,953,716</b>	<b>(3,727,917)</b>	<b>128,220</b>	<b>(30,849)</b>	<b>65,323,170</b>

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

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

At 30 September 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 4 November 2012.

**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 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 nine month period ended 30 September 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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 for 2012</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 30 September 2012</i>
<i>Held directly by the Bank</i>				
Al Baraka Bank (Pakistan) Limited	64.64%	2004	Pakistan	89
Delmon properties company S.A.L	100%	2011	Lebanon	N/A

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 41.91 million). The raise is to be achieved in a phased manner by the end of 31 December 2013. As per said circular MCR (free of losses) as of 31 December 2012 and 2013 is Rs.9 billion (BD 37.72 million) and Rs.10 billion (BD 41.91 million) respectively. During 2011, Al Baraka Bank (Pakistan) Limited ("the subsidiary") has been 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 25.15 million) at all times and raise the paid up capital (free of losses) to Rs.8 billion (BD 33.53 million) in the year 2012 and Rs.10 billion (BD 41.91 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.

The Bank as the parent is fully committed to comply with current and future regulatory requirements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****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, as a result a loss of BD 630 thousand was realised by the Bank in its consolidated statement of income. 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"), which has an indirect stake of 54.67% in the Company. 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.

**3 OTHER ASSETS**

	<b>30 September</b>	<i>Audited</i>
	<b>2012</b>	<i>31 December</i>
	<b>BD</b>	<i>2011</i>
		<i>BD</i>
Advance against financing transactions	4,315,201	6,737,680
Deferred tax	4,951,027	4,323,750
Accounts receivable	3,784,560	1,838,514
Advance tax	1,037,499	997,275
Collateral pending sale	694,608	694,608
Income receivable	114,583	451,690
Others	4,339,672	4,381,804
<b>Total</b>	<b>19,237,150</b>	<b>19,425,321</b>
Less: Provision for impairment	<b>(698,132)</b>	<b>(283,579)</b>
	<b>18,539,018</b>	<b>19,141,742</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

**4 OTHER LIABILITIES**

	<i>Audited</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>BD</i>	<i>BD</i>
Margins received	1,748,963	39,738,066
Security deposit against Ijara Muntahia Bittamleek	2,589,947	2,813,732
Accounts payable	1,376,213	2,611,283
Bills payable	3,085,317	1,861,496
Provision for employees benefits	1,181,152	1,096,043
Rental received in advance	637,638	861,368
Charity fund	633,498	533,432
Others	562,711	1,186,105
	<b>11,815,439</b>	<b>50,701,525</b>

**5 CONTINGENCIES AND COMMITMENTS**

	<i>Audited</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>BD</i>	<i>BD</i>
Guarantees	26,178,667	22,111,693
Letters of credit	16,706,377	68,824,878
Acceptances	10,324,650	18,119,088
Foreign exchange contracts	15,332,465	12,061,055
Taxation	463,291	488,349
Others	1,304,029	2,277,959
	<b>70,309,479</b>	<b>123,883,022</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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>	
	<i>30 September 2012 BD</i>	<i>31 December 2011 BD</i>	<i>30 September 2012 BD</i>	<i>31 December 2011 BD</i>
Assets	<b>231,633,453</b>	302,105,503	<b>262,195,918</b>	300,259,391
Liabilities and equity of investment accountholders	<b>186,774,724</b>	258,344,411	<b>241,526,322</b>	276,598,434
	<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2012 BD</i>	<i>2011 BD</i>	<i>2012 BD</i>	<i>2011 BD</i>
Total operating income	<b>5,769,951</b>	4,587,973	<b>5,872,284</b>	7,498,443
Total operating expenses	<b>(5,407,883)</b>	(5,013,265)	<b>(5,791,759)</b>	(6,012,194)
Provision for impairment - net Loss on sale of equity-type investment	<b>(866,216)</b> <b>(613,270)</b>	643,252 -	<b>(2,582,083)</b> -	126,229 -
Taxation	-	-	<b>726,754</b>	(473,317)
Income (loss) for the period	<b>(1,117,418)</b>	217,960	<b>(1,774,804)</b>	1,139,161

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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	
	30 September 2012 BD	31 December 2011 BD	30 September 2012 BD	31 December 2011 BD	30 September 2012 BD	31 December 2011 BD
<b>Assets:</b>						
Cash and balances with banks and financial institutions	34,894	-	31,679	115,492	66,573	115,492
Sales receivables	-	9,017,178	158,602	2,429,554	158,602	11,446,732
Mudaraba financing	-	-	7,799,618	9,634,848	7,799,618	9,634,848
Ijara Muntahia Bittamleek	-	-	2,271,366	2,297,968	2,271,366	2,297,968
Musharaka	-	-	264,132	127,952	264,132	127,952
Ijara income receivables	-	-	230,839	11,298	230,839	11,298
Investments	-	-	24,162,230	24,103,360	24,162,230	24,103,360
Other assets	105,351	155,032	51,475	92,615	156,826	247,647
	<b>140,245</b>	<b>9,172,210</b>	<b>34,969,941</b>	<b>38,813,087</b>	<b>35,110,186</b>	<b>47,985,297</b>
<b>Liabilities:</b>						
Due to banks and other financial institutions	1,540,654	2,819,149	3,469,018	5,745,374	5,009,672	8,564,523
Current accounts	765,167	760,239	115,719	217,960	880,886	978,199
Other liabilities	388,898	8,795	-	829,536	388,898	838,331
	<b>2,694,719</b>	<b>3,588,183</b>	<b>3,584,737</b>	<b>6,792,870</b>	<b>6,279,456</b>	<b>10,381,053</b>
Equity of investment accountholders	<b>8,187,371</b>	<b>10,427,173</b>	<b>20,760,347</b>	<b>31,666,738</b>	<b>28,947,718</b>	<b>42,093,911</b>
<b>OFF-BALANCE SHEET ITEMS:</b>						
Equity of investment accountholders	<b>12,415,054</b>	<b>10,676,211</b>	<b>12,015,152</b>	<b>47,779,988</b>	<b>24,430,206</b>	<b>58,456,199</b>
Contingencies and commitments	-	-	<b>6,359,426</b>	<b>5,492,347</b>	<b>6,359,426</b>	<b>5,492,347</b>

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

	Nine months ended 30 September	
	2012 BD	2011 BD
<b>Income</b>		
Income from jointly financed sales	23,144	18,299
Income from jointly financed, other financings and investments	373,114	247,152
Group's income from self financed, other financings and investments	109,176	128,021
Other revenues	162,416	230,276
Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders	12,535	-
	<b>680,385</b>	<b>623,748</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

## 7 RELATED PARTY TRANSACTIONS (continued)

**Expenses**

Return on equity of investment accountholders before Group's share as a Mudarib	938,937	1,035,707
Other expenses	233,986	239,361
	<u>1,172,923</u>	<u>1,275,068</u>
Loss on sale of equity-type investment	<u>(613,270)</u>	<u>-</u>

**Compensation of key management personnel is as follows:**

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

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2012</b>	<b>2011</b>
	<i>BD</i>	<i>BD</i>
Salaries	864,486	790,278
Other benefits	498,947	391,761
	<u>1,363,433</u>	<u>1,182,039</u>