

Al Baraka Banking Group B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2012 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Al Baraka Banking Group B.S.C. (the "Bank") and its 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 and management are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies 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 in note 2.



11 November 2012
Manama, Kingdom of Bahrain

Al Baraka Banking Group B.S.C.

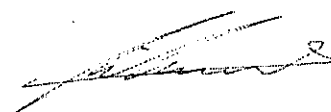
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

		<i>Audited</i>
	30 September	31 December
	2012	2011
	<i>Notes</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>
ASSETS		
Cash and balances with banks		4,633,280
Receivables	4	9,878,768
Mudaraba and Musharaka financing	5	901,777
Investments	6	1,891,978
Ijarah Muntahia Bittamleek		701,569
Property and equipment		375,622
Other assets	7	511,798
TOTAL ASSETS		18,351,752
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		
LIABILITIES		
Customer current and other accounts		3,711,314
Due to banks		852,250
Other liabilities	8	744,083
Total liabilities		5,307,647
EQUITY OF INVESTMENT ACCOUNTHOLDERS		11,122,830
OWNERS' EQUITY		
Share capital	12	1,014,475
Treasury shares		(8,426)
Share premium		16,358
Reserves		107,278
Cumulative changes in fair values		(3,115)
Foreign currency translations		(130,596)
Retained earnings		274,824
Proposed appropriations	12	-
Equity attributable to parent's shareholders		1,270,798
Non-controlling interest		650,477
Total owners' equity		1,921,275
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		18,351,752



Saleh Abdullah Kamel
Chairman



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

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

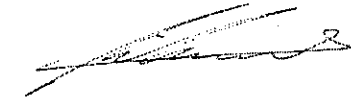
Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2012 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i> <i>2012</i> <i>US\$ '000</i>	<i>30 September</i> <i>2011</i> <i>US\$ '000</i>	<i>30 September</i> <i>2012</i> <i>US\$ '000</i>	<i>30 September</i> <i>2011</i> <i>US\$ '000</i>
Income				
Net income from jointly financed contracts and investments	254,837	221,172	741,030	669,053
Return on equity of investment accountholders before Group's share as a Mudarib	(227,499)	(198,937)	(653,903)	(602,417)
Group's share as a Mudarib	75,071	59,292	196,566	189,032
Return on equity of investment accountholders	(152,428)	(139,645)	(457,337)	(413,385)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	102,409	81,527	283,693	255,668
Mudarib share for managing off-balance sheet equity of investment accountholders	387	302	2,595	982
Net income from self financed contracts and investments	58,014	49,928	162,263	122,576
Other fees and commission income	41,669	39,865	136,625	119,829
Other operating income	28,247	10,642	57,529	36,019
TOTAL OPERATING INCOME	230,726	182,264	642,705	535,074
Staff expenses	61,147	55,958	184,969	157,514
Depreciation and amortisation	8,100	7,155	23,960	21,514
Other operating expenses	43,055	37,239	123,124	103,653
TOTAL OPERATING EXPENSES	112,302	100,352	332,053	282,681
NET INCOME FOR THE PERIOD BEFORE PROVISIONS AND TAXATION	118,424	81,912	310,652	252,393
Provisions	(32,510)	(5,731)	(61,903)	(30,948)
NET INCOME FOR THE PERIOD BEFORE TAXATION	85,914	76,181	248,749	221,445
Taxation	(23,304)	(20,202)	(65,543)	(55,412)
NET INCOME FOR THE PERIOD	62,610	55,979	183,206	166,033
Attributable to:				
Equity holders of the parent	36,357	33,072	107,184	97,482
Non-controlling interest	26,253	22,907	76,022	68,551
	62,610	55,979	183,206	166,033
Basic and diluted earnings per share - US cents (note 11)	3.61	3.28	10.65	9.67


Saleh Abdullah Kamel
Chairman


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

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2012 (Unaudited)

	30 September 2012 US\$ '000	30 September 2011 US\$ '000
OPERATING ACTIVITIES		
Net income for the period before taxation	248,749	221,445
Adjustments for:		
Depreciation and amortisation	23,960	21,514
Depreciation on Ijarah Muntahia Bittamleek	99,063	49,066
Unrealised gain on equity-type instruments at fair value through statement of income	(398)	(485)
Gain on sale of property and equipment	(16,273)	(4,496)
Gain on sale of investment properties	(1,054)	(1,327)
Loss (gain) on sale of equity-type instruments at fair value through equity	1,442	(7,211)
(Gain) loss on sale of equity-type instruments at fair value through statement of income	(10)	489
Provisions	61,903	30,948
Income from associates	(1,421)	(2,202)
Operating profit before changes in operating assets and liabilities	<u>415,961</u>	<u>307,741</u>
Net changes in operating assets and liabilities:		
Reserves with Central Banks	(155,965)	(662,441)
Receivables	(1,705,599)	126,803
Mudaraba and Musharaka financing	40,747	645,707
Ijarah Muntahia Bittamleek	(236,912)	(114,367)
Other assets	(130,661)	(51,483)
Customer current and other accounts	150,996	203,405
Due to banks	198,788	500,148
Other liabilities	63,093	45,806
Equity of investment accountholders	656,383	(210,947)
Taxation paid	(65,072)	(51,706)
Net cash (used in) from operating activities	<u>(768,241)</u>	<u>738,666</u>
INVESTING ACTIVITIES		
Net disposal (purchase) of investments	208,202	(737,153)
Net purchase of property and equipment	(66,616)	(16,142)
Dividend received from associates	4	305
Net (purchase) disposal of investment in associates	(378)	2,535
Net cash from (used in) investing activities	<u>141,212</u>	<u>(750,455)</u>
FINANCING ACTIVITIES		
Dividends paid to equity holders of the parent	(30,434)	(39,525)
Net movement in treasury shares	294	136
Net changes in non-controlling interest	(16,604)	(24,263)
Net cash used in financing activities	<u>(46,744)</u>	<u>(63,652)</u>
Foreign currency translation adjustments	(25,231)	(126,183)
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(699,004)</u>	<u>(201,624)</u>
Cash and cash equivalents at 1 January	2,996,990	2,988,700
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u><u>2,297,986</u></u>	<u><u>2,787,076</u></u>
For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise of the following:		
Balances with Central Banks (excluding mandatory reserves)	1,180,957	1,685,996
Balances with other banks	736,890	721,920
Cash and cash in transit	380,139	379,160
	<u><u>2,297,986</u></u>	<u><u>2,787,076</u></u>

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2012 (Unaudited)

	Attributable to the equity holders of the parent										
	Reserves			Cumulative changes in fair values				Non-controlling interest			Total owners' equity
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2012	869,550	(7,319)	16,420	65,384	39,223	(112,163)	167,584	175,359	1,203,128	596,022	1,799,150
Dividends declared (note 12)	-	-	-	-	-	-	-	(30,434)	(30,434)	-	(30,434)
Bonus shares issued (note 12)	144,925	-	-	-	-	-	-	(144,925)	-	-	-
Net movement in treasury shares	-	(1,107)	(62)	-	-	-	1,463	-	294	-	294
Net movement in cumulative change in fair value	-	-	-	-	-	7,795	-	-	7,795	1,223	9,018
Net movement in other reserves	-	-	-	-	2,671	-	(1,433)	-	1,238	638	1,876
Foreign currency translation	-	-	-	-	-	(18,433)	-	-	(18,433)	(6,798)	(25,231)
Net income for the period	-	-	-	-	-	-	107,184	-	107,184	76,022	183,206
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(27,678)	(27,678)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	26	-	26	(26)	-
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	-	-	7,063	7,063
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	4,011	4,011
At 30 September 2012	1,014,475	(8,426)	16,358	65,384	41,894	(130,596)	274,824	-	1,270,798	650,477	1,921,275

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2012 (Unaudited)

	Attributable to the equity holders of the parent											
	Share capital US\$ '000	Treasury Shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair values US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Total US\$ '000	Non- controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2011	790,500	(6,528)	15,866	53,547	43,191	(3,834)	(24,340)	236,750	118,575	1,223,727	592,854	1,816,581
Dividends declared (note 12)	-	-	-	-	-	-	-	-	(39,525)	(39,525)	-	(39,525)
Bonus shares issued (note 12)	79,050	-	-	-	-	-	-	-	(79,050)	-	-	-
Net movement in treasury shares	-	(696)	532	-	-	-	-	300	-	136	-	136
Net movement in cumulative change in fair value	-	-	-	-	-	(6,640)	-	-	-	(6,640)	(2,221)	(8,861)
Net movement in other reserves	-	-	-	-	4,187	-	-	(2,593)	-	1,594	1,370	2,964
Foreign currency translation	-	-	-	-	-	-	(75,671)	-	-	(75,671)	(50,512)	(126,183)
Net income for the period	-	-	-	-	-	-	-	97,482	-	97,482	68,551	166,033
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(30,685)	(30,685)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	307	-	307	(307)	-
Net movement in non- controlling interest	-	-	-	-	-	-	-	-	-	-	7,093	7,093
At 30 September 2011	869,550	(7,224)	16,398	53,547	47,378	(10,474)	(100,011)	332,246	-	1,201,410	586,143	1,787,553

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Al Baraka Banking Group B.S.C.

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

For the nine months ended 30 September 2012 (Unaudited)

	Cash US\$ '000	Sales receivables US\$ '000	Mudaraba financing US\$ '000	Investment in real estate US\$ '000	Investments US\$ '000	Others US\$ '000	Total US\$ '000
At 1 January 2012	17,189	105,361	200,702	35,310	126,381	38,185	523,128
Deposits	111,490	639,482	854,081	1,250	56,259	99,163	1,761,725
Withdrawals	(48,457)	(610,840)	(878,529)	(4,141)	(36,202)	(86,670)	(1,664,839)
Income net of expenses	-	7,070	475	286	5,601	1,144	14,576
Mudarib's share	-	(1,692)	(1)	(113)	(522)	(267)	(2,595)
Foreign exchange translation	-	-	-	-	(3,868)	(3,316)	(7,184)
At 30 September 2012	80,222	139,381	176,728	32,592	147,649	48,239	624,811
At 1 January 2011	44,920	147,093	46,411	28,255	116,057	76,602	459,338
Deposits	17,597	79,872	72,333	1,381	20,989	201,772	393,944
Withdrawals	(24,364)	(186,285)	(59,784)	(114)	(28,367)	(221,438)	(520,352)
Income net of expenses	-	306	415	-	312	970	2,003
Mudarib's share	-	(486)	-	-	(81)	(415)	(982)
Foreign exchange translation	-	-	-	-	(519)	(1,036)	(1,555)
At 30 September 2011	38,153	40,500	59,375	29,522	108,391	56,455	332,396

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012 (Unaudited)

1 ACTIVITIES

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2012 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2011. In addition, results for the nine months ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The annual consolidated financial statements for the year ended 31 December 2011 were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law and the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions and rules and procedures of the Bahrain Bourse. For matters which are not covered by the AAOIFI standards including "Interim Financial Reporting," the Group uses the International Financial Reporting Standards.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 30 September 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011.

Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 11 November 2012.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012 (Unaudited)

3 ACQUISITION OF ITQAN CAPITAL

On 1 July 2012, the Group acquired 58.32% of the voting shares of Itqan Capital through its subsidiary Al Baraka Islamic Bank. Itqan Capital is an unlisted company based in Kingdom of Saudi Arabia, licensed by the Capital Market Authority and specialising in the asset management, principle investment, investment banking, and custodial services. Further Al Baraka Islamic Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of Itqan Capital to the Group. Al Baraka Islamic Bank has authorised the Group to represent it in the shareholders' meetings and to exercise control on Itqan Capital to do any or all acts and deeds and exercise all powers of Al Baraka Islamic Bank pursuant to the Charter Document referred in the management agreement and or under any applicable laws.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Itqan Capital as at the date of acquisition were US\$ 17,657 thousand and the goodwill arising on acquisition was US\$ 17,082 thousand. The total purchase consideration transferred is US\$ 34,739 thousand. The total consideration comprises of:

	<i>1 July 2012</i> <i>US\$ '000</i>
Fair value of the original investment	17,657
Cash consideration	17,082
	<u>34,739</u>

The goodwill of US\$ 17,082 thousands comprises the value of expected synergies arising from the acquisition, which is not separately recognised.

From the date of acquisition, Itqan Capital has contributed US\$ 185 thousands of revenue and a loss of US\$ 1,072 thousands to the net profit before tax of the Group. If the acquisition had taken place at the beginning of the year, revenue contributed would have been US\$ 614 thousand and a loss of US\$ 2,752 thousand to the net profit before tax of the Group.

The Group has elected to measure the non-controlling interest in the Itqan Capital at their proportionate share of the acquiree's identifiable net assets resulting in the non-controlling interest of US\$ 7,063 thousand.

4 RECEIVABLES

	<i>30 September</i> <i>2012</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>US\$ '000</i>
Sales (Murabaha) receivables	9,729,705	8,080,444
Ijarah receivables	28,449	25,450
Salam receivables	92,489	80,284
Istisna'a receivables	28,125	26,879
	<u>9,878,768</u>	<u>8,213,057</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012 (Unaudited)

5 MUDARABA AND MUSHARAKA FINANCING

	<i>30 September</i> <i>2012</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>US\$ '000</i>
Mudaraba financing	509,321	606,437
Musharaka financing	392,456	344,498
	<u>901,777</u>	<u>950,935</u>

6 INVESTMENTS

	<i>30 September</i> <i>2012</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>US\$ '000</i>
Equity-type instruments at fair value through statement of income	2,654	2,983
Equity-type instruments at fair value through equity	180,903	224,843
Debt-type instruments at amortised cost	1,551,708	1,708,751
	<u>1,735,265</u>	<u>1,936,577</u>
Investment in real estate	129,451	128,112
Investment in associates	27,262	25,564
	<u>1,891,978</u>	<u>2,090,253</u>

7 OTHER ASSETS

	<i>30 September</i> <i>2012</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2011</i> <i>US\$ '000</i>
Bills receivables	202,042	124,827
Goodwill and intangible assets	104,666	86,378
Collateral pending sale	70,375	65,388
Prepayments	60,514	15,213
Deferred taxation	32,513	30,425
Good faith qard fund	12,319	40,824
Others	42,579	37,717
	<u>525,008</u>	<u>400,772</u>
Provisions	(13,210)	(11,908)
	<u>511,798</u>	<u>388,864</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012 (Unaudited)

8 OTHER LIABILITIES

	30 September	<i>Audited</i> 31 December
	2012	2011
	US\$ '000	US\$ '000
Payables	443,191	274,647
Cash margins	100,200	193,783
Other provisions	22,853	15,303
Current taxation	43,721	46,565
Deferred taxation	35,790	30,386
Accrued expenses	44,175	55,247
Others	54,153	59,265
	744,083	675,196

9 COMMITMENTS AND CONTINGENCIES

	30 September	<i>Audited</i> 31 December
	2012	2011
	US\$ '000	US\$ '000
Letters of credit	1,202,985	1,273,460
Guarantees	3,086,233	2,886,318
Acceptances	113,084	142,802
Undrawn Commitments	587,362	393,570
Others	3,678	264
	4,993,342	4,696,414

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012 (Unaudited)

10 RELATED PARTY TRANSACTIONS

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

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

	Associated companies US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000	Other related parties US\$ '000	Nine months ended	
					30 September 2012 US\$ '000	30 September 2011 US\$ '000
Net income from jointly financed contracts and investments	142	180	27	100	449	586
Net (loss) income from self financed contracts and investments	-	(1,285)	-	-	(1,285)	451
Return on equity of investment accountholders	-	62	94	371	527	453
Other fees and commission income	6	-	-	-	6	12

The significant balances with related parties were as follows:

	Associated companies US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000	Other related parties US\$ '000	Audited	
					30 September 2012 US\$ '000	31 December 2011 US\$ '000
Assets						
Receivables	7,263	7,713	715	72	15,763	13,772
Mudaraba and Musharaka financing	-	10,654	-	701	11,355	16,554
Investments	6,670	42,726	-	-	49,396	75,380
Ijarah Muntahia Bittamleek	-	-	488	35	523	91
Other assets	-	57	591	3	651	684
Liabilities						
Customer current and other accounts	12,753	4,085	1,495	158	18,491	21,416
Other liabilities	2,079	1,043	-	69	3,191	1,156
Equity of investment accountholders	930	5,938	8,471	75	15,414	16,854
Off-balance sheet equity of investment accountholders	9,380	8,130	-	-	17,510	14,914

All related party exposures are performing and are free of any provision for possible credit losses.

All related party transactions were conducted on arm's length basis.

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012 (Unaudited)

11 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2012</i>	<i>30 September 2011</i>	<i>30 September 2012</i>	<i>30 September 2011</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<u>36,357</u>	<u>33,072</u>	<u>107,184</u>	<u>97,482</u>
Weighted average number of shares outstanding at the beginning of the period (in thousands)	862,535	864,100	862,535	864,100
Treasury shares effect (in thousands)	(748)	(1,402)	(602)	(1,118)
Bonus shares effect (in thousands)*	<u>144,925</u>	<u>144,925</u>	<u>144,925</u>	<u>144,925</u>
Weighted average number of shares outstanding during the period - (in thousands)	<u>1,006,712</u>	<u>1,007,623</u>	<u>1,006,858</u>	<u>1,007,907</u>
Earnings per share - US cents	<u>3.61</u>	<u>3.28</u>	<u>10.65</u>	<u>9.67</u>

*The weighted average number of shares of the previous period has been adjusted on account of the bonus issue made during 2012.

12 OWNERS' EQUITY

	<i>Audited</i>	
	<i>30 September 2012</i>	<i>31 December 2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Share capital</i>		
Authorised 1,500,000,000 shares of US\$ 1 each	<u>1,500,000</u>	<u>1,500,000</u>
		<i>Audited</i>
	<i>30 September 2012</i>	<i>31 December 2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Issued and fully paid up		
At beginning of the period/ year		
869,550,000 (2011: 790,500,000) shares of US\$1 each	869,550	790,500
Issued during the period/ year		
144,925,000 Bonus shares (2011: 79,050,000) of US\$1 each	<u>144,925</u>	<u>79,050</u>
At end of the period/ year		
1,014,475,000 (2011: 869,550,000) shares of US\$1 each	<u>1,014,475</u>	<u>869,550</u>

Proposed appropriations

At the Annual General Meeting held on 21 March 2012 (2011: 23 March 2011), the shareholders of the Group resolved to distribute US\$ 30,434 thousand (2010: US\$ 39,525 thousand) as cash dividends and US\$ 144,925 thousand (2010: US\$ 79,050 thousand) as bonus shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012 (Unaudited)

13 SEGMENTAL INFORMATION

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

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

- Middle East
- North Africa
- Europe
- Others

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

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

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

Segment	30 September 2012			Audited 31 December 2011		
	Assets US\$ '000	Liabilities US\$ '000	Equity of investment accountholders US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Equity of investment accountholders US\$ '000
Middle East	8,169,735	2,195,118	5,159,005	7,808,985	1,883,492	5,157,413
North Africa	2,402,085	1,069,970	1,004,575	2,287,272	987,756	959,182
Europe	6,400,092	1,724,412	4,019,938	5,510,986	1,628,441	3,345,056
Others	1,379,840	318,147	939,312	1,546,800	389,286	1,004,267
	18,351,752	5,307,647	11,122,830	17,154,043	4,888,975	10,465,918

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

Segment	Nine months ended 30 September 2012			Nine months ended 30 September 2011		
	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000
Middle East	231,175	117,555	55,049	171,451	72,161	39,757
North Africa	91,164	58,411	37,358	96,021	66,325	46,344
Europe	272,101	123,030	89,763	215,757	101,422	70,526
Others	48,265	11,656	1,036	51,845	12,485	9,406
	642,705	310,652	183,206	535,074	252,393	166,033