

Al Baraka Banking Group B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2013 (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 consolidated statement of financial position of Al Baraka Banking Group B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 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 months period then ended and explanatory notes. The Board of Directors and management are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies 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.



10 November 2013
Manama, Kingdom of Bahrain

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013 (Unaudited)

		<i>Audited</i>
	30 September	31 December
	2013	2012
<i>Notes</i>	US\$ '000	US\$ '000
ASSETS		
Cash and balances with banks	4,044,083	3,927,583
Receivables	10,792,608	10,462,501
Mudaraba and Musharaka financing	1,034,797	953,554
Investments	2,304,784	2,183,754
Ijarah Muntahia Bittamleek	891,279	719,619
Property and equipment	383,992	386,496
Other assets	434,631	421,624
TOTAL ASSETS	19,886,174	19,055,131
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		
LIABILITIES		
Customer current and other accounts	3,908,524	3,820,735
Due to banks	1,007,846	972,280
Long term financing	537,798	73,084
Other liabilities	742,351	616,724
Total liabilities	6,196,519	5,482,823
EQUITY OF INVESTMENT ACCOUNTHOLDERS	11,738,804	11,604,628
OWNERS' EQUITY		
Share capital	1,048,291	1,014,475
Treasury shares	(8,421)	(8,475)
Share premium	16,755	16,352
Reserves	119,601	121,253
Cumulative changes in fair values	(2,959)	(3,636)
Foreign currency translations	(219,362)	(133,591)
Retained earnings	330,671	218,222
Proposed appropriations	-	69,323
Equity attributable to parent's shareholders	1,284,576	1,293,923
Non-controlling interest	666,275	673,757
Total owners' equity	1,950,851	1,967,680
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY	19,886,174	19,055,131


 Saleh Abdullah Kamel
 Chairman


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

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

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2013 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Income				
Net income from jointly financed contracts and investments	247,855	254,837	772,039	741,030
Return on equity of investment accountholders before Group's share as a Mudarib	(216,890)	(227,499)	(686,043)	(653,903)
Group's share as a Mudarib	74,379	75,071	231,841	196,566
Return on equity of investment accountholders	(142,511)	(152,428)	(454,202)	(457,337)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	105,344	102,409	317,837	283,693
Mudarib share for managing off-balance sheet equity of investment accountholders	374	387	1,974	2,595
Net income from self financed contracts and investments	62,136	58,014	173,877	162,263
Profit paid on long term financing	(4,395)	-	(6,741)	-
Other fees and commission income	37,915	41,669	131,828	136,625
Other operating income	4,844	28,247	57,382	57,529
TOTAL OPERATING INCOME	206,218	230,726	676,157	642,705
Staff expenses	68,254	61,147	209,264	184,969
Depreciation and amortisation	9,650	8,100	28,843	23,960
Other operating expenses	35,450	43,055	117,855	123,124
TOTAL OPERATING EXPENSES	113,354	112,302	355,962	332,053
NET INCOME FOR THE PERIOD BEFORE PROVISIONS AND TAXATION	92,864	118,424	320,195	310,652
Provisions	(14,093)	(32,510)	(51,711)	(61,903)
NET INCOME FOR THE PERIOD BEFORE TAXATION	78,771	85,914	268,484	248,749
Taxation	(21,558)	(23,304)	(71,349)	(65,543)
NET INCOME FOR THE PERIOD	57,213	62,610	197,135	183,206
Attributable to:				
Equity holders of the parent	33,385	36,357	112,448	107,184
Non-controlling interest	23,828	26,253	84,687	76,022
	57,213	62,610	197,135	183,206
Basic and diluted earnings per share - US cents (note 12)	3.21	3.50	10.81	10.31



Saleh Abdullah Kamel
Chairman



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

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

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2013 (Unaudited)

	30 September 2013 US\$ '000	30 September 2012 US\$ '000
OPERATING ACTIVITIES		
Net income for the period before taxation	268,484	248,749
Adjustments for:		
Depreciation and amortisation	28,843	23,960
Depreciation on Ijarah Muntahia Bittamleek	29,772	99,063
Unrealised gain on equity-type instruments at fair value through statement of income	(223)	(398)
Gain on sale of property and equipment	(2,026)	(16,273)
Gain on sale of investment in real estate	(458)	(1,054)
(Gain) loss on sale of equity-type instruments at fair value through equity	(487)	1,442
Gain on sale of equity-type instruments at fair value through statement of income	(2,068)	(10)
Provisions	51,711	61,903
Income from associates	(1,882)	(1,421)
Operating profit before changes in operating assets and liabilities	<u>371,666</u>	<u>415,961</u>
Net changes in operating assets and liabilities:		
Reserves with Central Banks	(172,005)	(155,965)
Receivables	(372,072)	(1,705,599)
Mudaraba and Musharaka financing	(77,686)	40,747
Ijarah Muntahia Bittamleek	(201,434)	(236,912)
Other assets	(16,991)	(130,661)
Customer current and other accounts	87,784	150,996
Due to banks	35,566	198,788
Other liabilities	94,567	19,077
Equity of investment accountholders	137,109	656,383
Taxation paid	(51,157)	(65,072)
Net cash used in operating activities	<u>(164,653)</u>	<u>(812,257)</u>
INVESTING ACTIVITIES		
Net (purchase) disposal of investments	(123,465)	208,202
Net purchase of property and equipment	(20,925)	(66,616)
Dividend received from associates	938	4
Net purchase of investment in associates	(144)	(378)
Net cash (used in) from investing activities	<u>(143,596)</u>	<u>141,212</u>
FINANCING ACTIVITIES		
Dividends paid to equity holders of the parent	(35,507)	(30,434)
Net movement in treasury shares	457	294
Dividends paid to non-controlling interest	(25,674)	(16,604)
Long term financing	464,714	44,016
Net cash from (used in) financing activities	<u>403,990</u>	<u>(2,728)</u>
Foreign currency translation adjustments	<u>(151,247)</u>	<u>(25,231)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(55,506)	(699,004)
Cash and cash equivalents at 1 January	<u>1,950,293</u>	<u>2,996,990</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u>1,894,787</u>	<u>2,297,986</u>

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2013 (Unaudited)

30 September **30 September**
2013 **2012**
US\$ '000 **US\$ '000**

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)	916,329	1,180,957
Balances with other banks	599,132	736,890
Cash and cash in transit	379,326	380,139
	<u>1,894,787</u>	<u>2,297,986</u>

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2013 (Unaudited)

	Attributable to the equity holders of the parent											
	Reserves											
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair 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 2013	1,014,475	(8,475)	16,352	78,687	42,566	(3,636)	(133,591)	218,222	69,323	1,293,923	673,757	1,967,680
Dividends paid (note 13)	-	-	-	-	-	-	-	-	(35,507)	(35,507)	-	(35,507)
Bonus shares issued (note 13)	33,816	-	-	-	-	-	-	-	(33,816)	-	-	-
Net movement in treasury shares	-	54	403	-	-	-	-	-	-	457	-	457
Net movement in cumulative change in fair value	-	-	-	-	-	677	-	-	-	677	124	801
Net movement in other reserves	-	-	-	-	(1,652)	-	-	-	-	(1,652)	(1,142)	(2,794)
Foreign currency translation	-	-	-	-	-	-	(85,771)	-	-	(85,771)	(65,476)	(151,247)
Net income for the period	-	-	-	-	-	-	112,448	-	-	112,448	84,687	197,135
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(25,674)	(25,674)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	1	-	1	(1)	-
At 30 September 2013	1,048,291	(8,421)	16,755	78,687	40,914	(2,959)	(219,362)	330,671	-	1,284,576	666,275	1,950,851

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

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2013 (Unaudited)

Attributable to the equity holders of the parent

Reserves

	Share capital US\$ '000	Treasury Shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair 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 2012	869,550	(7,319)	16,420	65,384	39,223	(10,910)	(112,163)	167,584	175,359	1,203,128	596,022	1,799,150
Dividends paid (note 13)	-	-	-	-	-	-	-	-	(30,434)	(30,434)	-	(30,434)
Bonus shares issued (note 13)	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	(3,115)	(130,596)	274,824	-	1,270,798	650,477	1,921,275

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

Al Baraka Banking Group B.S.C.

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

For the nine months ended 30 September 2013 (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 2013	57,403	84,056	206,123	34,220	153,856	63,137	598,795
Deposits	138,379	152,562	756,837	10,458	91,960	260,765	1,410,961
Withdrawals	(46,121)	(220,839)	(763,164)	(247)	(87,887)	(252,575)	(1,370,833)
Income net of expenses	-	5,602	1,896	257	5,720	2,382	15,857
Mudarib's share	-	(1,414)	(2)	(43)	(101)	(414)	(1,974)
Foreign exchange translation	-	-	-	(91)	47	(15,528)	(15,572)
At 30 September 2013	149,661	19,967	201,690	44,554	163,595	57,767	637,234
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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (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 2013 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 2012. In addition, results for the nine months ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The annual consolidated financial statements for the year ended 31 December 2012 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 ('IFRS').

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 2013. 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 preparation of the interim condensed consolidated financial statements are consistent with those used in preparation of the annual consolidated financial statements for the year ended 31 December 2012 except for the following:

New accounting standard

During 2012, AAOIFI issued new Financial Accounting Standard (FAS 26) "Investment in real estate", which is effective as of 1 January 2013.

The adoption of FAS 26 had no effect on the classification and measurement of the Groups' investments in real estate.

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 10 November 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

3 RECEIVABLES

	30 September 2013	<i>Audited</i> 31 December 2012
	US\$ '000	US\$ '000
Sales (Murabaha) receivables	10,647,737	10,297,161
Ijarah receivables	17,618	32,587
Salam receivables	92,740	106,400
Istisna'a receivables	34,513	26,353
	10,792,608	10,462,501

4 MUDARABA AND MUSHARAKA FINANCING

	30 September 2013	<i>Audited</i> 31 December 2012
	US\$ '000	US\$ '000
Mudaraba financing	649,619	557,787
Musharaka financing	385,178	395,767
	1,034,797	953,554

5 INVESTMENTS

	30 September 2013	<i>Audited</i> 31 December 2012
	US\$ '000	US\$ '000
Equity-type instruments at fair value through statement of income (5.1)	38,083	14,492
Equity-type instruments at fair value through equity (5.2)	123,572	175,137
Debt-type instruments at amortised cost (5.3)	1,972,615	1,831,118
	2,134,270	2,020,747
Investment in real estate (5.4)	133,850	127,829
Investment in associates	36,664	35,178
	2,304,784	2,183,754

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

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

	<i>30 September</i> <i>2013</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>US\$ '000</i>
Quoted investments	34,862	14,492
Unquoted investments	3,221	-
	38,083	14,492

5.2 Equity-type instruments at fair value through equity

	<i>30 September</i> <i>2013</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>US\$ '000</i>
Quoted investments		
Equities	43,162	53,756
Managed funds	21,304	31,529
	64,466	85,285
Unquoted investments		
Equities	34,706	78,281
Managed funds	37,701	28,380
	72,407	106,661
Provisions	(13,301)	(16,809)
	123,572	175,137

5.3 Debt-type instruments at amortised cost

	<i>30 September</i> <i>2013</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>US\$ '000</i>
Quoted investments		
Sukook and similar items	935,528	763,903
	935,528	763,903
Unquoted investments		
Sukook and similar items	1,039,706	1,070,592
	1,039,706	1,070,592
Provisions	(2,619)	(3,377)
	1,972,615	1,831,118

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

5 INVESTMENTS (continued)

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

The Group's investments in sukook and similar items held at amortised cost have fair values amounting to US\$ 1,965 million.

5.4 Investment in real estate

	30 September 2013 US\$ '000	<i>Audited</i> 31 December 2012 US\$ '000
Land	49,401	47,725
Buildings	84,449	80,104
	133,850	127,829

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

	30 September 2013 US\$ '000	<i>Audited</i> 31 December 2012 US\$ '000
Beginning balance of the period / year	127,829	128,111
Acquisition	8,695	15,595
Net gain (loss) from fair value adjustments	4,169	(93)
Disposal	(1,649)	(6,739)
Foreign exchange translation / others - net	(5,194)	(9,045)
	6,021	(282)
Ending balance of the period / year	133,850	127,829

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

6 IJARAH MUNTAHIA BITTAMLEEK

	30 September 2013			Audited 31 December 2012		
	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000
	Land and building					
Cost	-	865,201	865,201	-	737,870	737,870
Accumulated depreciation	-	(171,023)	(171,023)	-	(178,911)	(178,911)
Net book value	-	694,178	694,178	-	558,959	558,959
Equipment						
Cost	29,727	187,834	217,561	33,719	334,562	368,281
Accumulated depreciation	(6,785)	(33,920)	(40,705)	(10,705)	(218,756)	(229,461)
Net book value	22,942	153,914	176,856	23,014	115,806	138,820
Others						
Cost	1,851	27,351	29,202	2,714	30,845	33,559
Accumulated depreciation	(1,389)	(7,568)	(8,957)	(2,714)	(9,005)	(11,719)
Net book value	462	19,783	20,245	-	21,840	21,840
TOTAL						
Cost	31,578	1,080,386	1,111,964	36,433	1,103,277	1,139,710
Accumulated depreciation	(8,174)	(212,511)	(220,685)	(13,419)	(406,672)	(420,091)
Net book value	23,404	867,875	891,279	23,014	696,605	719,619

7 OTHER ASSETS

	Audited	
	30 September 2013 US\$ '000	31 December 2012 US\$ '000
Bills receivable	114,159	117,521
Goodwill and intangible assets	104,661	107,784
Collateral pending sale	74,408	73,166
Prepayments	53,452	56,531
Deferred taxation	32,810	31,897
Good faith qard fund	38,946	11,058
Others	33,841	35,286
	452,277	433,243
Provisions	(17,646)	(11,619)
	434,631	421,624

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

8 LONG TERM FINANCING

	<i>Audited</i>	
	<i>30 September 2013</i>	<i>31 December 2012</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Murabaha financing	278,261	-
Subordinated financing to a subsidiary	200,000	-
Istisna'a financing	59,537	73,084
	<u>537,798</u>	<u>73,084</u>

Murabaha financing

During the period, Al Baraka Turk Participation Bank obtained US\$ 278 million murabaha financing with an average annual profit rate of 1.59%, for a period of two years. The murabaha financing is obtained in US\$ and Euros.

Subordinated financing to a subsidiary

During the period, Al Baraka Turk Participation Bank obtained US\$ 200 million subordinated financing with an annual profit rate of 7.75%, for a period of ten years. These subordinated financing are obtained in US\$. These subordinated financing are considered part of tier II capital in the capital adequacy calculation of Al Baraka Turk Participation Bank as per the banking regulations in the Republic of Turkey.

9 OTHER LIABILITIES

	<i>Audited</i>	
	<i>30 September 2013</i>	<i>31 December 2012</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Payables	297,174	323,515
Cash margins	145,792	108,336
Managers' cheques	85,414	7,172
Other provisions	22,280	18,210
Current taxation	67,680	47,949
Deferred taxation	13,377	12,003
Accrued expenses	55,392	59,817
Charity fund	1,939	3,803
Others	53,303	35,919
	<u>742,351</u>	<u>616,724</u>

10 COMMITMENTS AND CONTINGENCIES

	<i>Audited</i>	
	<i>30 September 2013</i>	<i>31 December 2012</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Letters of credit	1,157,176	1,110,826
Guarantees	2,858,263	2,943,529
Acceptances	165,508	94,014
Undrawn Commitments	830,274	601,625
Others	214	3,600
	<u>5,011,435</u>	<u>4,753,594</u>

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

11 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:

	<i>Directors and key management personnel</i>				<i>Other related parties</i>		<i>Nine months ended</i>	
	<i>Associated companies</i>	<i>Major shareholders</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>30 September 2013</i>	<i>30 September 2012</i>
Net income from jointly financed contracts and investments	2,087	363	71	-	-	2,521	449	-
Net income (loss) from self financed contracts and investments	-	208	-	-	-	208	(1,285)	-
Return on equity of investment accountholders	179	75	422	4	-	680	527	-
Other fees and commission income	34	-	-	-	-	34	6	-

The significant balances with related parties were as follows:

	<i>Directors and key management personnel</i>			<i>Other related parties</i>		<i>Audited</i>	
	<i>Associated companies</i>	<i>Major shareholders</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>30 September 2013</i>	<i>31 December 2012</i>
Assets							
Receivables	31,990	-	625	-	-	32,615	60,451
Mudaraba and Musharaka financing	-	4,333	943	-	-	5,276	8,517
Investments	14,370	-	-	248	-	14,618	53,278
Ijarah Muntahia Bittamleek	-	-	1,142	-	-	1,142	502
Other assets	-	207	656	133	-	996	1,327
Liabilities							
Customer current and other accounts	3,646	3,831	1,055	122	-	8,654	9,488
Due to banks	-	14,840	-	-	-	14,840	20,086
Other liabilities	2,343	922	74	-	-	3,339	2,811
Equity of investment accountholders	6,666	5,745	9,611	60	-	22,082	20,526
Off-balance sheet equity of investment accountholders	10,884	8,569	369	-	-	19,822	20,934

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

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

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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12 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>	
	<u>30 September 2013</u>	<u>30 September 2012</u>	<u>30 September 2013</u>	<u>30 September 2012</u>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<u>33,385</u>	<u>36,357</u>	<u>112,448</u>	<u>107,184</u>
Weighted average number of shares outstanding at the beginning of the period (in thousands)	<u>1,040,005</u>	<u>1,040,972</u>	<u>1,040,005</u>	<u>1,040,972</u>
Treasury shares effect (in thousands)	<u>(135)</u>	<u>(34,923)</u>	<u>(140)</u>	<u>(34,720)</u>
Bonus shares effect (in thousands)*	<u>-</u>	<u>33,816</u>	<u>-</u>	<u>33,816</u>
Weighted average number of shares outstanding during the period - (in thousands)	<u>1,039,870</u>	<u>1,039,865</u>	<u>1,039,865</u>	<u>1,040,068</u>
Earnings per share - US cents	<u>3.21</u>	<u>3.50</u>	<u>10.81</u>	<u>10.31</u>

*The weighted average number of shares of the previous period has been adjusted on account of the bonus issue made during 2013.

13 OWNERS' EQUITY

	<i>Audited</i>	
	<u>30 September 2013 US\$ '000</u>	<u>31 December 2012 US\$ '000</u>
<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>
	<u>30 September 2013 US\$ '000</u>	<u>31 December 2012 US\$ '000</u>
Issued and fully paid up		
At beginning of the period / year 1,014,475,000 (2012: 869,550,000) shares of US\$1 each	<u>1,014,475</u>	<u>869,550</u>
Issued during the period / year 33,816,000 bonus shares (2012: 144,925,000) of US\$1 each	<u>33,816</u>	<u>144,925</u>
At end of the period / year 1,048,291,000 (2012: 1,014,475,000) shares of US\$1 each	<u>1,048,291</u>	<u>1,014,475</u>

Proposed appropriations

At the Annual General Meeting held on 19 March 2013 (2012: 21 March 2012), the shareholders of the Group resolved to distribute US\$ 35,507 thousand (2011: US\$ 30,434 thousand) as cash dividends and US\$ 33,816 thousand (2011: US\$ 144,925 thousand) as bonus shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14 SEGMENTAL INFORMATION

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

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

- Middle East
- North Africa
- Europe
- Others

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

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

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

Segment	30 September 2013			Audited 31 December 2012		
	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	8,440,692	2,395,215	5,222,203	8,360,928	2,228,323	5,316,442
North Africa	2,388,770	980,709	1,075,637	2,385,801	979,449	1,060,280
Europe	7,549,187	2,434,065	4,431,887	6,874,838	1,936,161	4,250,096
Others	1,507,525	386,530	1,009,077	1,433,564	338,890	977,810
	19,886,174	6,196,519	11,738,804	19,055,131	5,482,823	11,604,628

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

Segment	Nine months ended 30 September 2013			Nine months ended 30 September 2012		
	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	254,853	127,967	69,726	231,175	117,555	55,049
North Africa	89,753	49,147	35,312	91,164	58,411	37,358
Europe	282,336	129,399	86,584	272,101	123,030	89,763
Others	49,215	13,682	5,513	48,265	11,656	1,036
	676,157	320,195	197,135	642,705	310,652	183,206

15 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification did not affect previously reported consolidated income or consolidated owners' equity.