

Al Salam Bank-Bahrain B.S.C.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2016 (Reviewed)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AL SALAM BANK-BAHRAIN B.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Salam Bank-Bahrain B.S.C. ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2016, and the related interim consolidated income statement, statements of cash flows and changes in owners' equity 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 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. Consequently, it 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 aspects, in accordance with the accounting policies disclosed in note 2.



31 October 2016
Manama, Kingdom of Bahrain

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016 (reviewed)

		<i>(Reviewed)</i>	<i>(Audited)</i>
		<i>30 September</i>	<i>31 December</i>
		<i>2016</i>	<i>2015</i>
	<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>
ASSETS			
Cash and balances with banks and Central Bank		152,384	152,572
Sovereign Sukuk		330,125	350,474
Murabaha and Wakala receivables from banks		91,087	103,345
Corporate Sukuk		39,255	50,472
Murabaha financing		256,163	245,168
Mudaraba financing		230,092	239,031
Ijarah Muntahia Bittamleek		167,459	155,217
Musharaka		10,887	7,154
Assets under conversion	4	32,998	32,032
Non-trading investments	5	128,137	123,514
Investments in real estate		72,412	68,786
Development properties		42,293	49,021
Investment in associates		10,652	9,994
Other assets	6	25,753	43,892
Goodwill		25,971	25,971
TOTAL ASSETS		1,615,668	1,656,643
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		87,256	120,795
Wakala payables to non-banks		715,865	842,570
Current accounts		282,972	224,366
Liabilities under conversion	4	210	2,327
Term financing	7	94,551	35,986
Other liabilities		46,331	48,246
TOTAL LIABILITIES		1,227,185	1,274,290
EQUITY OF INVESTMENT ACCOUNTHOLDERS		65,529	62,351
OWNERS' EQUITY			
Share capital		214,093	214,093
Reserves and retained earnings		107,465	94,140
Proposed appropriations		-	10,705
Total equity attributable to shareholders of the Bank		321,558	318,938
Non-controlling interest		1,396	1,064
TOTAL OWNERS' EQUITY		322,954	320,002
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		1,615,668	1,656,643

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The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2016 (reviewed)

		<i>Three months ended 30 September 2016 BD '000</i>	<i>Three months ended 30 September 2015 BD '000</i>	<i>Nine months ended 30 September 2016 BD '000</i>	<i>Nine months ended 30 September 2015 BD '000</i>
OPERATING INCOME					
Income from financing contracts		9,988	10,490	28,638	32,679
Income from Sukuk		3,663	4,797	11,766	12,834
Net gain on sale of investments and Sukuk	8	172	3,581	2,226	5,089
Income from investments	9	246	1,200	1,877	3,543
Fair value changes on investments		(864)	(2,627)	363	(1,803)
Dividend income		435	255	817	719
Foreign exchange gains (loss)		461	(295)	1,155	158
Fees, commission and other income - net		2,695	1,249	5,931	4,111
Total operating income		<u>16,796</u>	<u>18,650</u>	<u>52,773</u>	<u>57,330</u>
Profit on Murabaha and Wakala payables to banks		(369)	(265)	(1,481)	(625)
Profit on Wakala payables to non-banks		(4,397)	(5,242)	(13,627)	(19,195)
Profit on term financing		(571)	(200)	(1,391)	(650)
Return on equity of investment accountholders before					
Group's share as a Mudarib		(55)	(64)	(162)	(220)
Group's share as a Mudarib		25	29	73	99
		<u>(30)</u>	<u>(35)</u>	<u>(89)</u>	<u>(121)</u>
Net operating income		<u>11,429</u>	<u>12,908</u>	<u>36,185</u>	<u>36,739</u>
OPERATING EXPENSES					
Staff cost		2,649	2,968	8,172	9,103
Premises and equipment cost		328	693	1,560	2,084
Depreciation		572	567	2,552	1,517
Other operating expenses		1,765	2,358	6,419	7,484
Total operating expenses		<u>5,314</u>	<u>6,586</u>	<u>18,703</u>	<u>20,188</u>
PROFIT BEFORE PROVISIONS AND RESULTS					
OF ASSOCIATES		6,115	6,322	17,482	16,551
Provision for financing and investments - net		(1,823)	(1,506)	(5,537)	(3,556)
Share of profit from associates		-	-	727	855
NET PROFIT FOR THE PERIOD		<u>4,292</u>	<u>4,816</u>	<u>12,672</u>	<u>13,850</u>
ATTRIBUTABLE TO:					
- Shareholders of the Bank		4,220	4,751	12,930	13,696
- Non-controlling interest		72	65	(258)	154
		<u>4,292</u>	<u>4,816</u>	<u>12,672</u>	<u>13,850</u>
Weighted average number of shares (in '000)		<u>2,140,931</u>	<u>2,140,931</u>	<u>2,140,931</u>	<u>2,140,931</u>
Basic and diluted earnings per share (fils)		<u>2.0</u>	<u>2.2</u>	<u>6.0</u>	<u>6.4</u>



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The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the period ended 30 September 2016 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank											
	Share capital	Statutory reserve	Retained earnings	Changes in fair value	Real estate fair value reserve	Foreign exchange translation reserve	Share premium reserve	Total reserves	Proposed appropriations	Total	Non-controlling interest	Total owners' equity
Balance as of 1 January 2016	214,093	13,716	46,803	(148)	24,253	(2,693)	12,209	94,140	10,705	318,938	1,064	320,002
Net profit for the period	-	-	12,930	-	-	-	-	12,930	-	12,930	(258)	12,672
Net changes in fair value	-	-	-	447	-	-	-	447	-	447	-	447
Foreign currency re-translation	-	-	-	-	-	(52)	-	(52)	-	(52)	(12)	(64)
Dividend paid	-	-	-	-	-	-	-	-	(10,705)	(10,705)	-	(10,705)
Non-controlling interest arising on acquisition of a subsidiary (note 3)	-	-	-	-	-	-	-	-	-	-	602	602
Balance at 30 September 2016	214,093	13,716	59,733	299	24,253	(2,745)	12,209	107,465	-	321,558	1,396	322,954
Balance as of 1 January 2015	214,093	12,481	46,497	1,287	22,704	(1,401)	12,209	93,777	10,705	318,575	10,228	328,803
Net profit for the period	-	-	13,696	-	-	-	-	13,696	-	13,696	154	13,850
Net changes in fair value	-	-	-	(2,429)	20	-	-	(2,409)	-	(2,409)	-	(2,409)
Foreign currency re-translation	-	-	-	-	-	(1,298)	-	(1,298)	-	(1,298)	(149)	(1,447)
Dividend paid	-	-	-	-	-	-	-	-	(10,705)	(10,705)	(566)	(11,271)
Net movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(6,355)	(6,355)
Balance at 30 September 2015	214,093	12,481	60,193	(1,142)	22,724	(2,699)	12,209	103,766	-	317,859	3,312	321,171

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2016 (reviewed)

	<i>Nine months ended 30 September 2016 BD '000</i>	<i>Nine months ended 30 September 2015 BD '000</i>
OPERATING ACTIVITIES		
Net profit for the period	12,672	13,850
Adjustments:		
Depreciation	2,552	1,517
Amortisation of premium on Sukuk - net	1,263	1,354
Fair value changes on investments	(363)	(1,803)
Provision for financing and investments - net	5,537	3,556
Share of profit from associates	(727)	(855)
Income from assets classified as held-for-sale	-	(2,894)
Operating income before changes in operating assets and liabilities	<u>20,934</u>	<u>14,725</u>
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	3,573	6,092
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	-	1,885
Murabaha financing	(12,939)	(5,265)
Mudaraba financing	9,368	(5,714)
Ijarah Muntahia Bittamleek	(11,810)	15,866
Musharaka	(3,733)	4,169
Assets under conversion	(3,097)	92,466
Other assets	15,595	7,516
Murabaha and Wakala payables to banks	(33,539)	(22,464)
Wakala payables to non-banks	(126,705)	(202,104)
Current accounts	58,606	68,252
Liabilities under conversion	(2,117)	(62,555)
Other liabilities	(1,916)	11,300
Net cash used in operating activities	<u>(87,780)</u>	<u>(75,831)</u>
INVESTING ACTIVITIES		
Sovereign Sukuk	19,450	(112,323)
Corporate Sukuk	10,853	2,119
Assets and liabilities held-for-sale	-	(15,602)
Non-trading investments and investment in associates - net	(6,028)	13,649
Investments in real estate and development properties - net	3,102	3,605
Purchase of premises and equipment	(111)	(52)
Net cash generated from / (used in) investing activities	<u>27,266</u>	<u>(108,604)</u>
FINANCING ACTIVITIES		
Term financing	58,565	(2,762)
Equity of investment accountholders	3,178	10,337
Dividends paid	(10,705)	(11,271)
Net movements in non-controlling interest	602	(6,504)
Net cash generated from / (used in) financing activities	<u>51,640</u>	<u>(10,200)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(8,874)</u>	<u>(194,635)</u>
Cash and cash equivalents at 1 January	<u>223,677</u>	<u>408,535</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u><u>214,803</u></u>	<u><u>213,900</u></u>
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank	81,901	87,690
Balances with other banks	41,815	63,286
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	91,087	62,924
	<u><u>214,803</u></u>	<u><u>213,900</u></u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Salam Bank-Bahrain B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No. 21/2001 and is registered with Ministry of Industry and Commerce ("MOIC") under Commercial Registration Number 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and is operating under Islamic principles, and in accordance with all the relevant regulatory guidelines for Islamic banks issued by the CBB. The Bank's registered office is P.O. Box 18282, Bahrain World Trade Centre East Tower, King Faisal Highway, Manama 316, Kingdom of Bahrain.

On 30 March 2014, the Bank acquired 100% stake in BMI Bank B.S.C.(c) ("BMI"), a closed shareholding company in the Kingdom of Bahrain, through exchange of shares. During January 2015, the Shari'a Supervisory Board approved BMI Bank to be an Islamic bank effective 1 January 2015. BMI Bank's operations are in compliance with Shari'a principles effective 1 January 2015. The interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as the Bank still holds a conventional retail banking license issued by the CBB.

During the period, the Bank acquired 70% stake in Al Salam Bank Seychelles Limited ("ASBS"), (previously "BMIO") an offshore bank in Seychelles as explained in note 3. ASBS operates under an offshore banking license issued by the Central Bank of Seychelles. All legal formalities in relation to the share allotment have been completed and the process of converting ASBS into fully compliant Islamic operations is in progress.

The Bank and its subsidiaries operate through ten branches in the Kingdom of Bahrain and Seychelles and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank include managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial instruments as principal/agent, managing Shari'a-compliant financial instruments and other activities permitted for under the CBB's Regulated Islamic Banking Services as defined in the licensing framework. The Bank's ordinary shares are listed in the Bahrain Bourse and Dubai Financial Market.

These interim condensed consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 31 October 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with the guidance given by International Accounting Standard 34 - "Interim Financial Reporting". These interim condensed consolidated financial statements incorporate all assets, liabilities and off-balance sheet financial instruments held by the Group. The accounting policies used 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 2015, which were prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and in conformity with the Bahrain Commercial Companies Law and the CBB and Financial Institutions Law. In accordance with AAOIFI, for matters for which no AAOIFI standards exist, including "Interim Financial Reporting", the Group uses the relevant International Financial Reporting Standard.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with AAOIFI. In addition, results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

2.1 New standards, interpretations and amendments

These interim condensed consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015. There have been no new standards, interpretations and amendments during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

3 BUSINESS COMBINATION

The Group had an existing ownership of 50% in BMI Offshore Bank Seychelles Limited (“BMIO”) and it was accounted for as an investment in joint venture. Subsequent to the approval of the Bank’s Board of Directors, the Group increased its stake in BMIO from 50% to 70% on 27 June 2016. On 27 June 2016, the share allotment was completed and a total of 3,384 fully paid up shares were allotted out of 4,834 shares representing 70% of the share capital which included a portion of shares earlier held by the Group (1,450 shares). Also, BMIO rebranded its name to Al Salam Bank-Seychelles (“ASBS”).

The provisional fair value of the assets amounting to BD 16,452 thousands and liabilities amounting to BD 14,512 thousands acquired are the same as their carrying value as of the date of acquisition. Also, there is no goodwill arising on acquisition as the fair value of consideration and the Group’s existing investment equals the provisional fair value of share of net assets identified at acquisition.

4 ASSETS AND LIABILITIES UNDER CONVERSION

These represent interest bearing non-Shari’a compliant assets and liabilities of BMI and ASBS. These assets and liabilities have been reported as separate line items on the face of the interim consolidated statement of financial position. The details of the assets and liabilities under conversion are as follows:

	<i>(Reviewed)</i> 30 September <i>2016</i> BD '000	<i>(Audited)</i> 31 December <i>2015</i> BD '000
Assets		
Loans and advances	32,758	31,437
Non-trading investment - debt	24	24
Non-trading investment - available-for-sale - equity *	16	16
Other assets	200	555
	32,998	32,032
Liabilities		
Other liabilities	210	2,327
	210	2,327

* The above available-for-sale equity investment is classified as Level 3 (2015: Level 3) in the fair value hierarchy (note 5). During the period there were no movements in the fair value of this investment.

5 NON-TRADING INVESTMENTS

Non-trading investments are classified as available-for-sale or fair value through profit or loss.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

5 NON-TRADING INVESTMENTS (continued)

The following table shows an analysis of the financial instruments carried at fair value in the consolidated statement of financial position:

30 September 2016	------(Reviewed)-----			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Financial assets at fair value through profit or loss	5,421	5,585	104,759	115,765
Available-for-sale financial assets	3,914	-	8,458	12,372
	<u>9,335</u>	<u>5,585</u>	<u>113,217</u>	<u>128,137</u>
	------(Audited)-----			
31 December 2015	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Financial assets at fair value through profit or loss	7,646	4,702	102,660	115,008
Available-for-sale financial assets	4,774	-	3,732	8,506
	<u>12,420</u>	<u>4,702</u>	<u>106,392</u>	<u>123,514</u>

During the period ended 30 September 2016, an amount of BD 1,793 (31 December 2015: nil) was transferred from Level 1 to Level 3 fair value measurements. The movements in fair value of non-trading investments classified in level 3 of the fair value hierarchy are as follows:

	<i>Fair value measurement using significant unobservable inputs</i>	
	<i>Level 3</i>	
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
At 1 January	106,392	121,890
Additions during the period / year	7,521	-
Fair value changes	479	(2,426)
Transfers during the period / year	1,793	-
Repayments during the period / year	-	(408)
Disposals during the period / year	(2,151)	(12,653)
Other movements	(817)	(11)
At 30 September / 31 December	<u>113,217</u>	<u>106,392</u>

The fair values of financial assets and financial liabilities with the exception of Sukuk that are carried at amortized cost, approximate their carrying value. The fair values of Sukuk that are held at amortized cost is BD 366 millions (31 December 2015: BD 391 millions) Carrying value of these Sukuk is BD 369 millions (31 December 2015: BD 401 millions).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

6 OTHER ASSETS

	<i>(Reviewed)</i> 30 September 2016 BD '000	<i>(Audited)</i> 31 December 2015 BD '000
Assets under conversion (a)		
Non-trading-investments - debt	236	236
Non-trading investments - available-for-sale - equity (b)	1,449	2,036
	1,685	2,272
Repossessed assets	1,358	4,007
Profit receivable	8,207	7,995
Premises and equipment	2,429	3,910
Prepayments	3,943	1,066
Rental receivable on Ijarah Muntahia Bittamleek assets	598	685
Other receivables and advances (c)	7,533	15,469
Aircraft (d)	-	8,488
	25,753	43,892

(a) These represent non-Shari'a compliant assets resulted from the acquisition of Bahraini Saudi Bank B.S.C. ("BSB").

(b) The above available-for-sale equity investments are classified as Level 3 (2015: Level 3) in the fair value hierarchy (note 5). Movements in these investments are as follows:

	<i>Fair value measurement using significant unobservable inputs Level 3</i>	
	<i>(Reviewed)</i> 2016 BD '000	<i>(Audited)</i> 2015 BD '000
At 1 January	2,036	2,412
Fair value changes	-	188
Repayments during the period / year	(82)	(69)
Disposals during the period / year	(505)	(334)
Provision	-	(161)
At 30 September / 31 December	1,449	2,036

(c) This includes BD 3,565 thousands (2015: BD 10,865 thousands) relating to receivable from sale of investments and advances to contractors.

(d) The lease of aircraft was terminated during 2015 and released during 2016.

7 TERM FINANCING

Term financing is subject to the following key terms:

a) BD 7,030 thousands (31 December 2015: BD 7,531 thousands) carries a profit of LIBOR plus 3% with final maturity on 13 January 2022. The collateral for this facility is an aircraft, with a carrying value of BD 7,364 thousands (31 December 2015: BD 8,488 thousands);

b) BD 12,029 thousands (31 December 2015: BD 11,490 thousands) carries profit rate of Bank Bill Swap Bid rate ("BBSY") plus 1.85% and matures on 16 October 2017. The collateral for this facility is investments in real estate with a carrying value of BD 19,922 thousands (31 December 2015: BD 19,027 thousands);

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

7 TERM FINANCING (continued)

c) BD 16,965 thousands (31 December 2015: BD 16,965 thousands) carries profit and matures on 28 December 2018. The collateral for this facility is investments in corporate and sovereign Sukuk with a carrying value of BD 38,515 thousands (31 December 2015: 40,879 thousands);

d) BD 37,700 thousands (31 December 2015: nil) carries profit and matures on 16 February 2017. The collateral for this facility is investments in sovereign Sukuk with a carrying value of BD 72,912 thousands (31 December 2015: nil); and

e) BD 20,827 thousands (31 December 2015: nil) carries profit and maturity upto 10 September 2024. The collateral for these facilities is investments in sovereign Sukuk with a carrying value of BD 51,183 thousands (31 December 2015: nil).

8 NET GAIN ON SALE OF INVESTMENTS AND SUKUK

	<i>Three months ended 30 September 2016 BD '000</i>	<i>Three months ended 30 September 2015 BD '000</i>	<i>Nine months ended 30 September 2016 BD '000</i>	<i>Nine months ended 30 September 2015 BD '000</i>
Gain (loss) on sale of:				
Development properties *	172	138	2,096	813
FVTPL investments	-	267	61	249
Sukuk	-	(97)	29	812
Available-for-sale investments	-	3,273	-	3,215
Other investments	-	-	40	-
	172	3,581	2,226	5,089

* Sales: BD 11,612 thousands (30 September 2015: BD 4,014 thousands) and cost: BD 9,516 thousands (30 September 2015: BD 3,201 thousands).

9 INCOME FROM INVESTMENTS

	<i>Three months ended 30 September 2016 BD '000</i>	<i>Three months ended 30 September 2015 BD '000</i>	<i>Nine months ended 30 September 2016 BD '000</i>	<i>Nine months ended 30 September 2015 BD '000</i>
Income from assets classified as held-for-sale	-	1,199	-	2,894
Rental income from investments in real estate	588	340	1,374	1,108
Income / (loss) from FVTPL investments	(342)	(339)	503	(459)
	246	1,200	1,877	3,543

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

10 TOTAL COMPREHENSIVE INCOME

	<i>Three months ended 30 September 2016 BD '000</i>	<i>Three months ended 30 September 2015 BD '000</i>	<i>Nine months ended 30 September 2016 BD '000</i>	<i>Nine months ended 30 September 2015 BD '000</i>
Net profit for the period	4,292	4,816	12,672	13,850
Other comprehensive income / (loss):				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
Unrealized loss reclassified to consolidated income statement on disposal of available-for-sale investments	-	-	(82)	-
Unrealised gain / (loss) on available-for-sale investments	567	(2,182)	529	(2,429)
Changes in fair value of investments in real estate	-	-	-	20
Foreign currency re-translation	106	(521)	(64)	(1,447)
Other comprehensive income / (loss) for the period	673	(2,703)	383	(3,856)
Total comprehensive income for the period	4,965	2,113	13,055	9,994
<i>Attributable to:</i>				
Shareholders of the Bank	4,852	2,095	13,325	9,989
Non-controlling interest	113	18	(270)	5
	4,965	2,113	13,055	9,994

11 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership or directors with that of the Bank. The transactions with these parties were made on commercial terms.

The significant balances with related parties at 30 September 2016 were as follows:

	<i>30 September 2016 (Reviewed)</i>				<i>Total BD '000</i>
	<i>Associates, and joint ventures BD '000</i>	<i>Major shareholders BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	
Assets:					
Cash and balances with banks and Central Bank	-	84	-	-	84
Murabaha financing	32,799	-	-	61	32,860
Mudaraba financing	1,885	-	-	-	1,885
Ijarah Muntahia Bittamleek	-	-	151	172	323
Musharaka	-	-	48	-	48
Other assets	2,263	-	68	23	2,354
	-	-	-	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

11 RELATED PARTY TRANSACTIONS (continued)

	<i>30 September 2016 (Reviewed)</i>				
	<i>Associates, and joint ventures BD '000</i>	<i>Major shareholders BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
Liabilities and equity of investment accountholders:					
Murabaha and Wakala payables to non-banks	1,881	12,437	48	981	15,347
Current accounts	205	4	1,094	50	1,353
Equity of investment accountholders	-	-	981	87	1,068
Other liabilities	52	-	1	3	56
Contingent liabilities and commitments	743	-	-	-	743
	<i>31 December 2015 (Audited)</i>				
	<i>Associates, and joint ventures BD '000</i>	<i>Major shareholders BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
Assets:					
Murabaha and Wakala receivables from banks	-	36	-	-	36
Murabaha financing	32,799	-	-	36	32,835
Mudaraba financing	1,885	-	-	-	1,885
Ijarah Muntahia Bittamleek	-	-	-	187	187
Musharaka	-	-	55	-	55
Other assets	1,924	-	3,660	4	5,588
Liabilities and equity of investment accountholders:					
Murabaha and Wakala payables to banks	1,508	-	-	-	1,508
Murabaha and Wakala payables to non-banks	2,235	23,400	637	653	26,925
Current accounts	2,216	4,010	163	50	6,439
Equity of investment accountholders	-	-	153	64	217
Other liabilities	911	191	3	3	1,108
Contingent liabilities and commitments	743	-	-	-	743

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

11 RELATED PARTY TRANSACTIONS (continued)

The income and expenses in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	<i>30 September 2016 (Reviewed)</i>				
	<i>Associates and joint ventures BD '000</i>	<i>Major shareholders BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
Income:					
Income from financing contracts	-	14	6	4	24
Expenses:					
Profit on Wakala payables to non-banks	16	280	1	12	309
Share of profits on equity of investment account holders	-	-	2	-	2
Other operating expenses	-	-	230	-	230
	<i>30 September 2015 (Reviewed)</i>				
	<i>Associates and joint ventures BD '000</i>	<i>Major shareholders BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
Income:					
Income from financing contracts	36	15	30	4	85
Other income	80	-	-	1	81
Expenses:					
Profit on Murabaha and Wakala payables to banks	-	68	-	-	68
Profit on Wakala payables to non-banks	113	2,105	41	13	2,272
Share of profits on equity of investment account holders	-	-	2	-	2
Other operating expenses	-	-	326	-	326

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

12 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Reviewed)</i> 30 September 2016 <i>BD '000</i>	<i>(Audited)</i> 31 December 2015 <i>BD '000</i>
Contingent liabilities on behalf of customers		
Guarantees	17,590	28,144
Letters of credit	15,923	9,594
Acceptances	1,732	2,275
	<hr/> 35,245 <hr/>	<hr/> 40,013 <hr/>
Irrevocable unutilised commitments		
Unutilised financing commitments	87,319	79,465
Unutilised non-funded commitments	26,990	37,023
Commitments towards development cost	3,336	6,981
	<hr/> 117,645 <hr/>	<hr/> 123,469 <hr/>
Commitment relating to purchase of investment	<hr/> 4,182 <hr/>	<hr/> 4,182 <hr/>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the interim consolidated statement of financial position date but not provided for	-	29
	<hr/> 157,072 <hr/>	<hr/> 167,693 <hr/>
Forward foreign exchange contracts - notional amount	<hr/> 7,711 <hr/>	<hr/> 14,448 <hr/>
	<hr/> 160,601 <hr/>	<hr/> 177,959 <hr/>

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitment may expire without being utilized, the total contract amounts do not necessarily represent future cash requirements.

Operating lease commitment - Group as lessee

The Group has entered into various operating lease agreements for its premises. Future minimal rentals payable under the non-cancellable leases are as follows:

	<i>(Reviewed)</i> 30 September 2016 <i>BD '000</i>	<i>(Audited)</i> 31 December 2015 <i>BD '000</i>
Within 1 year	1,236	1,328
After one year but not more than five years	2,737	2,576
	<hr/> 3,973 <hr/>	<hr/> 3,904 <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

13 SEGMENT INFORMATION**Primary segment information**

For management purposes, the Group is organised into four major business segments:

- Banking** - Principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking and private banking and wealth management.
- Treasury** - Principally handling Shari'a compliant money market, trading and treasury services including short-term commodity Murabaha.
- Investments** - Principally the Group's proprietary portfolio and serving clients with a range of investment products, funds and alternative investments.
- Capital** - Manages the undeployed capital of the Group by investing it in high quality financial instruments, incurs all expenses in managing such investments and accounts for the capital governance related expenses.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information for the period ended 30 September 2016 was as follows:

	<i>30 September 2016 (Reviewed)</i>				
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Capital</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Operating income	25,776	4,523	4,690	1,196	36,185
Segment result	10,190	3,050	410	(977)	12,672
Other Information					
Segment assets	697,346	533,908	218,353	166,061	1,615,668
Segment liabilities and equity	1,048,396	201,178	37,161	328,933	1,615,668

Goodwill resulting from BMI acquisition is allocated to banking segment.

Segment information for the period ended 30 September 2015 was as follows:

	<i>30 September 2015 (Reviewed)</i>				
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Capital</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Operating income	22,742	5,315	8,135	547	36,739
Segment result	6,726	4,305	6,535	(3,716)	13,850

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2016 (reviewed)

13 SEGMENT INFORMATION (continued)

Other information

Segment assets	655,372	618,757	219,074	163,440	1,656,643
Segment liabilities and equity	1,108,457	177,678	39,565	330,943	1,656,643

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.

14 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to the current period presentation. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.