

Al Salam Bank-Bahrain B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2011

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 condensed consolidated statement of financial position of Al Salam Bank-Bahrain B.S.C. ("the Bank") and its subsidiary (together "the Group") as of 30 September 2011, and the related interim consolidated statements of income, comprehensive income, changes in owners' equity and cash flows 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 2011
Manama, Kingdom of Bahrain

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2011 (reviewed)

		<i>Reviewed</i>	<i>(Restated)</i>
		<i>30 September</i>	<i>31 December</i>
		<i>2011</i>	<i>2010</i>
	<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>
ASSETS			
Cash and balances with banks and Central Bank of Bahrain		92,574	95,791
Central Bank of Bahrain Sukuk		109,374	68,632
Murabaha and Wakala receivables from banks		93,532	137,299
Corporate Sukuk		46,559	60,959
Murabaha and Mudaraba financing		176,726	133,881
Ijarah Muntahia Bittamleek		65,248	56,756
Musharaka financing		10,196	8,127
Assets under conversion	3	29,832	57,432
Non-trading investments		219,031	212,432
Investment in an associate		-	7,578
Investment properties		3,373	3,373
Receivables and prepayments		16,774	12,479
Premises and equipment		1,288	1,859
TOTAL ASSETS		864,507	856,598
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		102,586	101,300
Wakala from non-banks		466,309	456,447
Customers' current accounts		61,340	57,362
Liabilities under conversion	3	5,118	5,171
Other liabilities		13,139	15,993
TOTAL LIABILITIES		648,492	636,273
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
OWNERS' EQUITY			
Share capital	4	149,706	149,706
Treasury stock		(465)	-
Reserves and retained earnings		45,383	48,165
Total equity attributable to shareholders of the Bank		194,624	197,871
Non-controlling interest		4,138	3,989
TOTAL OWNERS' EQUITY		198,762	201,860
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		864,507	856,598

These interim condensed consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 31 October 2011


 Mohamed Ali Rashid Alabbar
 Chairman


 Yousif A. Taqi
 Director and Chief Executive Officer

The attached notes 1 to 7 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 2011 (reviewed)

	Note	Three months ended 30 September 2011 BD '000	Three months ended 30 September 2010 BD '000	Nine months ended 30 September 2011 BD '000	Nine months ended 30 September 2010 BD '000
OPERATING INCOME					
Income from financing contracts	3	9,007	6,998	22,386	18,458
Income from investments designated as fair value through profit or loss		844	125	356	763
Gains on disposal of investments		472	614	2,209	1,201
Gains on investments designated as fair value through profit or loss		70	360	742	6,329
Dividend income		416	5	975	103
Fees and commissions		256	995	846	1,550
Foreign exchange gains		361	195	1,053	630
Other income		-	267	-	1,189
		11,426	9,559	28,567	30,223
Profit on Murabaha and Wakala payables to banks		(165)	(158)	(529)	(459)
Profit on Wakala from non-banks	3	(4,082)	(3,758)	(11,787)	(10,683)
Profit relating to equity of investment accountholders		(31)	(32)	(125)	(138)
Depreciation on Ijarah Muntahia Bittamleek		(2,885)	(1,507)	(4,862)	(3,045)
Total operating income		4,263	4,104	11,264	15,898
OPERATING EXPENSES					
Staff costs		1,498	1,499	4,547	4,793
Premises and equipment cost		328	547	894	900
Depreciation		193	275	796	846
Other operating expenses		864	522	2,671	2,701
Total operating expenses		2,883	2,843	8,908	9,240
Share of loss from an associate		-	-	-	(20)
NET PROFIT BEFORE PROVISIONS		1,380	1,261	2,356	6,638
Provision charge for financing facilities		(34)	-	(387)	-
NET PROFIT FOR THE PERIOD		1,346	1,261	1,969	6,638
<i>Attributable to:</i>					
Share holders of the Bank		1,308	1,247	1,826	6,573
Non-controlling interest		38	14	143	65
		1,346	1,261	1,969	6,638
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING					
		1,492,426,455	1,497,063,829	1,492,426,455	1,497,063,829
BASIC AND DILUTED EARNINGS PER SHARE (FILS)					
		0.9	0.8	1.2	4.4

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

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2011 (reviewed)

	<i>Three months ended 30 September 2011 BD '000</i>	<i>Three months ended 30 September 2010 BD '000 (restated)</i>	<i>Nine months ended 30 September 2011 BD '000</i>	<i>Nine months ended 30 September 2010 BD '000 (restated)</i>
NET PROFIT FOR THE PERIOD	1,346	1,261	1,969	6,638
Other comprehensive income:				
Net change in fair value	(3,510)	7	(4,698)	49
Exchange differences on investment in an associate	-	(89)	-	(213)
Exchange differences on investment in an associate transferred to income statement	-	-	96	-
Other comprehensive loss for the period	(3,510)	(82)	(4,602)	(164)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(2,164)	1,179	(2,633)	6,474
<i>Attributable to:</i>				
Equity holders of the Bank	(2,225)	1,165	(2,782)	6,376
Non-controlling interest	61	14	149	98
	(2,164)	1,179	(2,633)	6,474

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2011 (reviewed)

	<i>Nine months ended 30 September 2011 BD '000</i>	<i>(Restated) Nine months ended 30 September 2010 BD '000</i>
OPERATING ACTIVITIES		
Net profit for the period	1,969	6,638
Adjustments:		
Depreciation	796	846
Gains on investments designated as fair value through profit or loss	(742)	(6,329)
Provision for financing facilities	387	-
Exchange differences on investment in an associate transferred to income statement	96	-
Share of loss from an associate	-	20
Operating income before changes in operating assets and liabilities	<u>2,506</u>	<u>1,175</u>
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank of Bahrain	1,232	(1,163)
Central Bank of Bahrain Sukuk	(40,742)	(18,634)
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	11,007	(12,031)
Corporate Sukuk	14,400	(18,429)
Murabaha and Mudaraba financing	(43,232)	(64,192)
Ijarah Muntahia Bittamleek	(8,492)	(15,175)
Musharaka financing	(2,069)	(2,966)
Assets under conversion	27,663	33,660
Non-trading investments, net	(3,039)	335
Receivables and prepayments	(4,296)	13,354
Murabaha and Wakala payables to banks	1,286	13,544
Wakala from non-banks	9,569	75,002
Customers' current accounts	3,978	14,749
Liabilities under conversion	240	(49,477)
Other liabilities	(2,854)	(2,367)
Net cash used in operating activities	<u>(32,843)</u>	<u>(32,615)</u>
INVESTING ACTIVITIES		
Purchase of premises and equipment	(225)	(524)
Purchase of investment property	-	(2,195)
Net cash used in investing activities	<u>(225)</u>	<u>(2,719)</u>
FINANCING ACTIVITIES		
Equity of investment accountholders	(1,212)	6,944
Purchase of treasury stock	(465)	-
Dividends	-	(7,129)
Net cash used in financing activities	<u>(1,677)</u>	<u>(185)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(34,745)	(35,519)
Cash and cash equivalents at 1 January	<u>203,116</u>	<u>258,557</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u>168,371</u>	<u>223,038</u>
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank of Bahrain	62,987	69,036
Balances with other banks	11,852	8,680
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	93,532	145,322
	<u>168,371</u>	<u>223,038</u>

The attached notes 1 to 7 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 2011 (reviewed)

Amounts in BD '000s

	Attributable to Shareholders of the Bank										Total owners' equity	
	Share capital	Treasury stock	Statutory reserve	Retained earnings	Investment reserve	Changes in fair value	Foreign exchange translation reserve	Share premium reserve	Total reserves	Proposed appropriations		Non-controlling interest
Balance as of 1 January 2011	149,706	-	8,631	4,603	33,039	172	(96)	2,573	48,922	-	3,997	202,625
Changes due to adoption of FAS 25 (note 2)	-	-	-	33,039	(33,039)	(757)	-	-	(757)	-	(8)	(765)
As at 1 January 2011 (restated)	149,706	-	8,631	37,642	-	(585)	(96)	2,573	48,165	-	3,989	201,860
Total comprehensive income for the period:												
Net profit for the period	-	-	-	1,826	-	-	-	-	1,826	-	143	1,969
Other comprehensive income:												
Net change in fair value	-	-	-	-	-	(4,704)	-	-	(4,704)	-	6	(4,698)
Transfer to income statement	-	-	-	-	-	-	96	-	96	-	-	96
Total comprehensive (loss) income	-	-	-	1,826	-	(4,704)	96	-	(2,782)	-	149	(2,633)
Treasury shares purchased	149,706	(465)	8,631	39,468	-	(5,289)	-	2,573	45,383	-	4,138	199,227
Balance at 30 September 2011	149,706	(465)	8,631	39,468	-	(5,289)	-	2,573	45,383	-	4,138	198,762
Balance as of 1 January 2010	142,577	-	7,910	5,009	26,245	(381)	-	2,573	41,356	14,258	3,586	201,777
Changes due to adoption of FAS 25 (note 2)	-	-	-	26,245	(26,245)	507	-	-	507	-	-	507
As at 1 January 2010 (restated)	142,577	-	7,910	31,254	-	126	-	2,573	41,863	14,258	3,586	202,284
Total comprehensive income for the period:												
Net profit for the period	-	-	-	6,573	-	-	-	-	6,573	-	65	6,638
Other comprehensive income:												
Changes on investment in an associate	-	-	-	-	-	-	(213)	-	(213)	-	-	(213)
Net change in fair value	-	-	-	-	-	17	-	-	17	-	32	49
Total comprehensive income	-	-	-	6,573	-	17	(213)	-	6,377	-	97	6,474
Bonus shares issued	142,577	-	7,910	37,827	-	143	(213)	2,573	48,240	14,258	3,683	208,758
Dividends paid for 2009	7,129	-	-	-	-	-	-	-	(7,129)	-	-	-
	-	-	-	-	-	-	-	-	(7,129)	-	-	(7,129)
Balance at 30 September 2010	149,706	-	7,910	37,827	-	143	(213)	2,573	48,240	-	3,683	201,629

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

30 September 2011 (reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

The parent company, 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 was registered with Ministry of Industry and Commerce 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. The Bank 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, Building 22, Avenue 58, Block 436, Al Seef District, Kingdom of Bahrain.

In 2009, the Bank acquired a 90.31% stake in Bahraini Saudi Bank B.S.C. (BSB), a publicly listed commercial bank in the Kingdom of Bahrain. BSB operates under a retail banking license issued by the Central Bank of Bahrain. BSB has applied for an Islamic retail banking license with the CBB and is awaiting approval. Subsequent to acquisition by the Bank, BSB has discontinued new conventional activities and the conversion into a fully compliant Islamic operations is in progress.

The Bank and its subsidiary, BSB, (together known as "the Group") operate through eleven retail branches in the Kingdom of Bahrain. The Bank offers 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 Banking Services as defined in the licensing framework. The Bank's ordinary shares are listed in the Bahrain Stock Exchange and Dubai Financial Market.

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 financial statements for the year ended 31 December 2010, except for the adoption of new and amended conceptual framework and Financial Accounting Standard 25 "Investment in sukuk, shares and similar instruments". The annual consolidated financial statements of the Group for the year ended 31 December 2010 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 Central Bank of Bahrain 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 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiary for the period ended 30 September 2011. The financial statements of the Bank's subsidiary is prepared for the same reporting period as the Bank, using consistent accounting policies. All income and expenses of the subsidiary, other than those relating to the assets and liabilities under conversion (note 3) have been consolidated on a line-by-line basis; in accordance with the requirements of AAOIFI consolidation standard.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and is presented separately in the interim consolidated income statement and within owners' equity in the interim consolidated statement of financial position, separately from parent shareholders' equity.

NEW AND AMENDED ACCOUNTING STANDARD AND FRAMEWORK

During 2010, AAOIFI amended its conceptual framework and issued a new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which are effective from 1 January 2011.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**STATEMENT OF FINANCIAL ACCOUNTING NO.1: CONCEPTUAL FRAMEWORK FOR THE FINANCIAL REPORTING BY ISLAMIC FINANCIAL INSTITUTIONS**

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOIFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework states that it is necessary that information, transaction and other events are accounted for and presented in accordance with their substance and economic reality as well as the legal form.

FINANCIAL ACCOUNTING STANDARD (FAS 25) "INVESTMENT IN SUKUK, SHARES AND SIMILAR INSTRUMENTS"

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt or equity instruments made by Islamic financial institutions.

The adoption of FAS 25 had an effect on the classification and measurement of the Group's financial assets. As a result of the application of this new standard, the classification of the investment portfolio was revisited and changes were made in classification to be in line with FAS 25. The corporate sukuk held by the Group have been reclassified retrospectively from available-for-sale investments to investments at amortised cost. Accordingly, the fair value adjustments previously recognised on these sukuk have been restated and the impact on the corporate sukuk balance as of 1 January 2011 was a reduction of BD 765 thousand. The adoption of FAS 25, did have not any impact on the non-trading investments held by the Group. The impact on the opening total owners' equity as of 1 January 2011 was a reduction of BD 765 thousand (1 January 2010: increase of BD 507 thousand).

Also, the investment reserve amounting BD 33,039 thousand as of 1 January 2011 (as of 1 January 2010: BD 26,245 thousand), which was previously disclosed as a separate component in the owners' equity, has now been transferred to the retained earnings as this reserve is no longer required to be disclosed separately under the new FAS 25.

3 ASSETS AND LIABILITIES UNDER CONVERSION

These represent interest bearing non-Shari'a compliant assets and liabilities of BSB, a majority owned subsidiary of the Bank. As of 30 September 2011, the conversion of the subsidiary into a fully compliant Islamic operations is in progress; accordingly 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 these assets and liabilities under conversion are as follows:

	<i>30 September 2011 BD '000</i>	<i>31 December 2010 BD '000</i>
Assets		
Due from banks and financial institutions	-	757
Loans and advances to customers	21,536	47,872
Non-trading-investments	8,296	8,803
	<u>29,832</u>	<u>57,432</u>
Liabilities		
Due to banks and financial institutions	5,118	5,171

For the nine month period ended 30 Sep 2011, income from financing contracts includes BD 1,534,000 (2010: BD 3,425,000) arising from assets under conversion. For the nine month period ended 30 Sep 2011, profit on Wakala from non-banks includes BD 13,000 (2010: BD 1,325,000) arising from liabilities under conversion.

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2011 (reviewed)

4 SHARE CAPITAL

	<i>30 September 2011 BD '000</i>	<i>31 December 2010 BD '000</i>
Authorised:		
2,000,000,000 (2010: 2,000,000,000) ordinary shares of BD 0.100 each	200,000	200,000
Issued and fully paid: (BD 0.100 per share)		
Balance at beginning - 1,497,063,825 (2010:1,425,775,075) shares	149,706	142,577
Issued during the period nil (2010:71,288,750) shares	-	7,129
	149,706	149,706

5 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, 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 Group. The transactions with these parties were made on commercial terms.

The significant balances with related parties at 30 September 2011 were as follows:

	<i>30 September 2011</i>			
	<i>Associates and joint ventures 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 Mudaraba receivables	41,917	79	110	42,106
Ijarah Muntahia Bittamleek	4,735	119	149	5,003
Musharaka financing	8,831	-	82	8,913
Receivables and prepayments	3,770	7	9	3,786
Liabilities and equity of investment accountholders:				
Wakala from non-banks	2,279	1,167	1,454	4,900
Customers' current accounts	9,545	94	119	9,758
Equity of investment accountholders	229	132	89	450
Commitments	5,590	-	-	5,590
Contingent liabilities	62	-	-	62

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

	<i>30 September 2011</i>			
	<i>Associates and joint ventures 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 other financing contracts	2,669	117	9	2,795
Expenses:				
Profit paid on Wakala from non-banks	17	16	43	76
Profit relating to equity of investment accountholders	1	1	-	2

30 September 2011 (reviewed)

5 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties at 31 December 2010 were as follows:

	<i>31 December 2010</i>			
	<i>Associates and joint ventures 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 Mudaraba receivables	21,653	54	37	21,744
Ijarah Muntahia Bittamleek	15,068	3,114	175	18,357
Musharaka financing	7,830	-	89	7,919
Assets under conversion	-	-	21	21
Receivables and prepayments	3,260	8	6	3,274
Liabilities and equity of investment accountholders:				
Wakala from non-banks	3,451	1,297	125	4,873
Customers' current accounts	7,428	161	333	7,922
Equity of investment accountholders	35	91	1,292	1,418
Commitments	4,310	-	-	4,310
Contingent liabilities	1,549	63	-	1,612

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

	<i>30 September 2010</i>			
	<i>Associates and joint ventures 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 other financing contracts	1,938	193	13	2,144
Expenses:				
Profit paid on Wakala from non-banks	106	28	10	144
Profit relating to equity of investment accountholders	3	1	1	5

6 CONTINGENT LIABILITIES AND COMMITMENTS

The Group has the following commitments:

	<i>30 September 2011 BD '000</i>	<i>31 December 2010 BD '000</i>
Contingent liabilities on behalf of customers		
Guarantees	5,189	6,773
Letters of credit	1,284	1,645
Acceptances	249	432
	<u>6,722</u>	<u>8,850</u>
Irrevocable Unutilised commitments		
Unutilised financing commitments	27,651	27,970
Unutilised non-funded commitments	12,026	7,583
Unutilised capital commitments	1,457	1,502
	<u>41,134</u>	<u>37,055</u>
	<u>47,856</u>	<u>45,905</u>

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 drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Operating lease commitment - Group as lessee

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

	<i>30 September 2011 BD '000</i>	<i>31 December 2010 BD '000</i>
Within 1 year	657	429
After one year but not more than five years	1,228	85
	<u>1,885</u>	<u>514</u>

30 September 2011 (reviewed)

7 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 Bank'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 2011 was as follows:

	<i>30 September 2011</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	5,545	3,656	195	1,868	11,264
Segment result	1,495	2,605	(1,429)	(702)	1,969
Other information					
Segment assets	220,963	288,882	257,264	97,398	864,507
Segment liabilities, and owners' equity	544,157	106,391	3,969	209,990	864,507

Segment information for the period ended 30 September 2010 was as follows:

	<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	5,773	4,705	4,145	1,255	15,878
Segment result	1,042	3,720	1,816	60	6,638

Segment information (restated) for the year ended 31 December 2010 was as follows:

	<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>
Segment assets	195,713	324,322	249,994	86,569	856,598
Segment liabilities, and owners' equity	517,737	120,220	8,318	210,323	856,598

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.