

Al Salam Bank-Bahrain B.S.C.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2015

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 2015, and the related interim consolidated statements of income, 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.

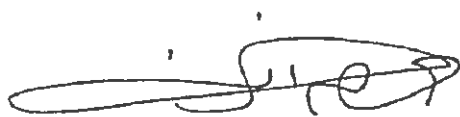


11 November 2015
Manama, Kingdom of Bahrain

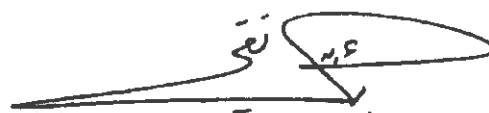
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2015 (reviewed)

		(Reviewed) 30 September 2015 BD '000	(Audited) 31 December 2014 BD '000
	Note		
ASSETS			
Cash and balances with banks and Central Bank		187,234	277,751
Sovereign Sukuk		207,052	94,678
Murabaha and Wakala receivables from banks		70,015	182,110
Corporate Sukuk		136,357	139,304
Murabaha financing		365,700	270,428
Mudaraba financing		230,590	189,601
Ijarah Muntahia Bittamleek		167,995	141,052
Musharaka		7,129	10,851
Assets under conversion	3	39,260	308,659
Investments	4	132,292	147,096
Investments in real estate		62,260	65,149
Development properties		58,566	59,262
Investment in associates		9,989	10,492
Other assets	5	28,763	32,893
Goodwill	6.1	25,971	25,971
Assets held-for-sale		54,858	-
TOTAL ASSETS		1,784,031	1,955,297
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		98,802	121,266
Murabaha and Wakala payables to non-banks		886,182	1,034,052
Current accounts		294,900	226,648
Term financing		18,575	21,337
Liabilities under conversion	3	4,670	149,621
Other liabilities		56,718	45,418
Liabilities relating to assets classified as held-for-sale		36,362	-
TOTAL LIABILITIES		1,396,209	1,598,342
EQUITY OF INVESTMENT ACCOUNTHOLDERS		66,651	28,152
OWNERS' EQUITY			
Share capital	6	214,093	214,093
Reserves and retained earnings		103,766	93,777
Proposed appropriations		-	10,705
Total equity attributable to shareholders of the Bank		317,859	318,575
Non-controlling interest		3,312	10,228
TOTAL OWNERS' EQUITY		321,171	328,803
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		1,784,031	1,955,297



Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board



Yousif A. Taqi
Director & Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2015 (reviewed)

		<i>Three months ended 30 September 2015</i>	<i>Three months ended 30 September 2014</i>	<i>Nine months ended 30 September 2015</i>	<i>Nine months ended 30 September 2014</i>
	<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
OPERATING INCOME					
Income from financing contracts		11,786	15,399	36,591	36,709
Income from Sukuk		3,501	2,110	8,922	5,027
Gains on sale of investments and Sukuk	7	3,581	3,428	5,089	5,827
Income from investments	8	1,200	760	3,543	1,769
Fair value changes on investments		(2,627)	(1,775)	(1,803)	330
Dividend income		255	177	719	501
Foreign exchange gains		(295)	253	158	939
Fees, commission and other income - net		1,249	2,424	4,111	5,823
		18,650	22,776	57,330	56,925
Profit on Murabaha and Wakala payables to banks		(265)	(322)	(625)	(801)
Profit on Wakala payables to non-banks		(5,242)	(7,886)	(19,195)	(19,899)
Profit on term financing		(200)	(246)	(650)	(743)
Profit relating to equity of investment accountholders		(365)	(54)	(613)	(144)
Total operating income		12,578	14,268	36,247	35,338
OPERATING EXPENSES					
Staff cost		2,968	3,862	9,103	9,529
Premises and equipment cost		693	755	2,084	1,732
Depreciation		567	893	1,517	1,842
Other operating expenses		2,028	2,454	6,992	6,426
Total operating expenses		6,256	7,964	19,696	19,529
PROFIT BEFORE PROVISIONS AND RESULTS OF ASSOCIATES AND JOINT VENTURE					
		6,322	6,304	16,551	15,809
Provision for impairment - net		(1,506)	(2,365)	(3,556)	(3,694)
Share of profit from associates and joint venture		-	99	855	242
NET PROFIT FOR THE PERIOD		4,816	4,038	13,850	12,357
<i>Attributable to:</i>					
- Shareholders of the Bank		4,751	4,116	13,696	12,283
- Non-controlling interest		65	(78)	154	74
		4,816	4,038	13,850	12,357
WEIGHTED AVERAGE NUMBER OF SHARES (in '000)					
		2,140,931	2,140,931	2,140,931	1,929,161
BASIC AND DILUTED EARNINGS PER SHARE (FILS)					
		2.2	1.9	6.5	6.4



Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board



Yousif A. Taqi
Director & Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2015 (reviewed)

	<i>Nine months ended 30 September 2015 BD '000</i>	<i>Nine months ended 30 September 2014 BD '000</i>
OPERATING ACTIVITIES		
Net profit for the period	13,850	12,357
Adjustments:		
Depreciation	1,517	1,842
Amortisation of premium on Sukuk	1,354	3,006
Fair value changes on investments	(1,803)	(330)
Provision for impairment - net	3,556	3,694
Share of profit from associates and joint venture	(855)	(242)
Income from assets classified as held-for-sale	(2,894)	-
Operating income before changes in operating assets and liabilities	14,725	20,327
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	6,092	(3,705)
Sovereign Sukuk	(112,900)	9,744
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	1,885	4,603
Corporate Sukuk	2,119	(19,209)
Murabaha financing	(4,688)	(28,187)
Mudaraba financing	(5,714)	(12,027)
Ijarah Muntahia Bittamleek	15,866	(1,959)
Musharaka financing	4,169	8,241
Assets under conversion	92,466	72,204
Investments and investment in associates, net	13,649	(26,687)
Investments in real estate and development properties, net	3,605	7,258
Assets and liabilities held-for-sale	(15,602)	-
Other assets	7,516	(1,190)
Murabaha and Wakala payables to banks	(22,464)	(32,032)
Wakala from non-banks	(202,104)	140,649
Current accounts	68,252	66,522
Liabilities under conversion	(62,555)	(79,384)
Other liabilities	11,300	135
Net cash (used in) from operating activities	(184,383)	125,303
INVESTING ACTIVITIES		
Cash flow arising on acquisition of a subsidiary	-	127,670
Sale of treasury stock	-	1,754
Purchase of premises and equipment	(52)	(794)
Purchase of investment properties	-	(269)
Proceeds from sale of discontinued operations	-	11,953
Net cash (used in) from investing activities	(52)	140,314
FINANCING ACTIVITIES		
Term financing	(2,762)	(1,206)
Equity of investment accountholders	10,337	4,604
Share issue expenses	-	(125)
Dividends paid	(11,271)	(7,446)
Net movements in non-controlling interest	(6,504)	(2,324)
Net cash used in financing activities	(10,200)	(6,497)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(194,635)	259,120
Cash and cash equivalents at 1 January	408,535	171,040
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	213,900	430,160

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the period ended 30 September 2015 (reviewed)

	<i>Nine months ended 30 September 2015 BD '000</i>	<i>Nine months ended 30 September 2014 BD '000</i>
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank	87,690	182,687
Balances with other banks	63,286	38,056
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	62,924	209,417
	213,900	430,160
Non cash transaction comprises:		
Conversion of loans and advances to Islamic assets	176,933	-
Conversion of customer deposits to Islamic liabilities	82,396	-

The attached notes 1 to 12 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 2015 (reviewed)

	Attributable to shareholders of the Bank										Amounts in BD '000s		
	Share capital	Treasury stock	Statutory reserve	Retained earnings	Changes in fair value	estate fair value reserve	Foreign exchange translation reserve	Share premium reserve	Total reserves	Proposed appropriations		Total	Non-controlling interest
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
Balance as of													
1 January 2014	149,706	(492)	10,926	43,272	651	21,659	(501)	2,573	78,580	7,485	235,279	10,818	246,097
Net profit for the period	-	-	-	12,283	-	-	-	-	12,283	-	12,283	74	12,357
Net changes in fair value	-	-	-	-	1,688	-	-	-	1,688	-	1,688	-	1,688
Foreign currency re-translation	-	-	-	-	-	-	(512)	-	(512)	-	(512)	-	(512)
Dividend paid	-	-	-	-	-	-	-	-	-	(7,446)	(7,446)	(233)	(7,679)
Shares issued on acquisition	64,387	-	-	-	-	-	-	8,499	8,499	-	72,886	-	72,886
Share issue expenses	-	-	-	-	-	-	-	(125)	(125)	-	(125)	-	(125)
Net movements in non-controlling interest	-	-	-	(158)	-	-	-	-	(158)	-	(158)	(1,711)	(1,869)
Sale of treasury stock	-	492	-	-	-	-	-	1,262	1,262	-	1,754	-	1,754
Transfer	-	-	-	39	-	-	-	-	39	(39)	-	-	-
Balance at 30 September 2014	214,093	-	10,926	55,436	2,339	21,659	(1,013)	12,209	101,556	-	315,649	8,948	324,597

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

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, Building 22, Avenue 58, Block 436, Al Seef District, 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. The current period numbers include the effect of consolidation of BMI and the comparatives include the results of BMI for the period from 1 April 2014 to 30 September 2014 as the acquisition was completed on 30 March 2014. BMI operates under a retail conventional banking license issued by the CBB. BMI's Shari'a Supervisory Board approved BMI to be an Islamic Bank effective 1 January 2015. BMI's operations are compliant with Shari'a principles effective 1 January 2015.

The Bank and its subsidiary BMI operate through eleven branches in the Kingdom of Bahrain and 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 Islamic Banking Services as defined in the licensing framework. The Bank's ordinary shares are listed in the Bahrain Bourse and Dubai Financial Market.

The Bank together with its subsidiaries is referred to as "the Group".

These interim condensed consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 11 November 2015.

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 2014, 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 month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015 (reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**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 2014, except for FAS 27 and amendment to FAS 23 which have been issued by AAOIFI and are effective 1 January 2016.

- Amendment to FAS 23 – Consolidation

The amendment introduced to FAS 23 is to give clarification on the way an Islamic financial institution (IFI) should determine if financial statements of an investee company, or a subsidiary, should be consolidated with its own. The amendment provides clarification that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the IFI that give de facto power over an entity, potential voting rights, or a combination of these factors.

In terms of voting rights, the amendment also clarifies that an Islamic financial institution shall consider only substantive voting rights in its assessment of whether the institution has power over an entity. In order to be substantive, the voting rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. Determination of voting rights shall include current substantive voting rights and currently-exercisable voting rights.

The amendments and clarifications are effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives. The amendment had no impact on the interim condensed consolidated financial statements of the Group.

- FAS 27 – Investment Accounts

FAS 27 will replace FAS 5 - 'Disclosures of Bases for Profit Allocation between Owner's Equity and Investment Account Holders' and FAS 6 - 'Equity of Investment Account Holders and their Equivalent'. Upon adoption of this standard certain disclosures with respect to investment account holders and bases of profit allocation will be enhanced without having any significant impact on the financial statements of the Group.

3 ASSETS AND LIABILITIES UNDER CONVERSION

These represent interest bearing non-Shari'a compliant assets and liabilities of BMI. 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 2015 BD '000	<i>(Audited)</i> 31 December 2014 BD '000
Assets		
Due from banks and financial institutions	-	13,949
Loans and advances	38,691	215,438
Non-trading investments - debt	18	75,181
Non-trading investments - available-for-sale - equity *	17	8
Other assets	534	4,083
	39,260	308,659
Liabilities		
Customers' deposits	43	138,793
Other liabilities	4,627	10,828
	4,670	149,621

* The above available-for-sale equity investment is classified as Level 3 (2014: Level 3) in the fair value hierarchy (note 4).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015 (reviewed)

4 INVESTMENTS

These include trading and non-trading investments. Trading investments are classified as fair value through profit or loss. 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.

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

30 September 2015	<i>(Reviewed)</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</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	6,140	-	108,020	114,160
Available-for-sale financial assets	5,317	-	12,815	18,132
	11,457	-	120,835	132,292

31 December 2014	<i>(Audited)</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</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	18,476	-	107,303	125,779
Available-for-sale financial assets	6,730	-	14,587	21,317
	25,206	-	121,890	147,096

During the period ended 30 September 2015 and year ended 31 December 2014, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

5 OTHER ASSETS

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 September</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>BD '000</i>	<i>BD '000</i>
Assets under conversion		
Non-trading-investments - debt	2,233	3,848
Non-trading investments - available-for-sale - equity *	2,113	2,412
	4,346	6,260
Profit receivable	6,914	6,878
Premises and equipment	4,212	5,494
Prepayments	1,577	1,001
Repossessed assets	4,008	3,897
Rental receivable on Ijarah Muntahia Bittamleek assets	371	669
Other receivables and advances **	7,335	8,694
	28,763	32,893

* The above available-for-sale equity investments are classified as Level 3 (2014: Level 3) in the fair value hierarchy (note 4).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015 (reviewed)

5 OTHER ASSETS (continued)

** This includes BD 2,762 thousands (31 December 2014: 5,687 thousands) relating to receivable from sale of investments and advances to contractors.

6 SHARE CAPITAL

	<i>(Reviewed)</i> 30 September 2015 BD'000	<i>(Audited)</i> 31 December 2014 BD'000
Authorised:		
2,500,000,000 ordinary shares (2014: 2,500,000,000 shares) of BD 0.100 each	250,000	250,000
Issued and fully paid: (BD 0.100 per share)		
Balance at the beginning	214,093	149,706
Shares issued	-	64,387
	214,093	214,093

6.1 Business combination

During 2014, the Bank made an offer to acquire 100% of the issued and paid up shares of BMI, at an exchange ratio of eleven new shares of the Bank for each share of BMI. The acquisition through share exchange was approved by the shareholders of the Bank in their Extraordinary General Assembly Meeting held on 8 October 2013. The Bank issued 643,866,927 new shares of the Bank. This resulted in proceeds of BD 72,886 thousands from the new issue, including a share premium of BD 8,499 thousands. The goodwill arising out of above acquisition amounted to BD 25,971 thousands.

7 GAINS ON SALE OF INVESTMENTS AND SUKUK

	<i>Three months ended 30 September 2015 BD '000</i>	<i>Three months ended 30 September 2014 BD '000</i>	<i>Nine months ended 30 September 2015 BD'000</i>	<i>Nine months ended 30 September 2014 BD'000</i>
Gain on sale of:				
Development properties	138	322	813	1,919
FVTPL investments	267	2,785	249	2,831
Sukuk	(97)	-	812	756
Available-for-sale investments	3,273	-	3,215	-
Held-for-sale investments	-	321	-	321
	3,581	3,428	5,089	5,827

8 INCOME FROM INVESTMENTS

	<i>Three months ended 30 September 2015 BD '000</i>	<i>Three months ended 30 September 2014 BD '000</i>	<i>Nine months ended 30 September 2015 BD'000</i>	<i>Nine months ended 30 September 2014 BD'000</i>
Income from assets classified as held-for-sale	1,199	-	2,894	-
Rental income from investments in real estate	340	398	1,108	1,259
(Loss) income from FVTPL investments	(339)	362	(459)	510
	1,200	760	3,543	1,769

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015 (reviewed)

9 TOTAL COMPREHENSIVE INCOME

	<i>Three months ended 30 September 2015 BD '000</i>	<i>Three months ended 30 September 2014 BD '000</i>	<i>Nine months ended 30 September 2015 BD '000</i>	<i>Nine months ended 30 September 2014 BD '000</i>
Net profit for the period	4,816	4,038	13,850	12,357
Other comprehensive (loss) income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Net changes in fair value of available-for-sale investments	(2,182)	531	(2,429)	1,688
Changes in fair value of investments in real estate	-	-	20	-
Foreign currency re-translation	(521)	(395)	(1,447)	(512)
Other comprehensive (loss) income for the period	(2,703)	136	(3,856)	1,176
Total comprehensive income for the period	2,113	4,174	9,994	13,533
Attributable to:				
Equity holders of the Bank	2,095	4,252	9,989	13,459
Non-controlling interest	18	(78)	5	74
	2,113	4,174	9,994	13,533

10 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 approved by the Board of Directors.

The significant balances with related parties at 30 September 2015 were as follows:

	<i>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>
Assets:					
Cash and balances with banks and Central Bank	-	46	-	-	46
Murabaha financing	32,799	-	13	37	32,849
Mudaraba financing	14,310	-	40	-	14,350
Ijarah Muntahia Bittamleek	-	-	118	192	311
Musharaka financing	562	-	58	-	620
Assets under conversion	-	-	-	-	-
Other assets	403	-	52	9	464
Liabilities and equity of investment accountholders:					
Wakala payables to non-banks	12,053	94,985	2,823	694	110,556
Current accounts	643	-	1,131	69	1,843
Equity of investment accountholders	-	-	2,689	246	2,935
Liabilities under conversion	-	-	-	-	-
Other liabilities	518	724	3	1	1,247
Contingent liabilities and commitments	744	-	-	-	744

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015 (reviewed)

10 RELATED PARTY TRANSACTIONS (continued)

	December 2014 (audited)				
	Associates, and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	Total BD '000
Assets:					
Cash and balances with banks and					
Central Bank	-	28	-	-	28
Murabaha financing	30,160	-	20	49	30,229
Mudaraba financing	14,310	-	56	-	14,366
Ijarah Muntahia Bittamleek	-	-	1,007	207	1,214
Musharaka financing	843	-	65	-	908
Assets under conversion	243	-	404	74	721
Other assets	885	6	3	6	900
Liabilities and equity of investment accountholders:					
Wakala payables to non-banks	9,057	90,015	3,355	946	103,373
Current accounts	941	3,905	1,980	55	6,881
Equity of investment accountholders	-	-	1,400	121	1,521
Liabilities under conversion	1,554	-	805	-	2,359
Other liabilities	129	4	17	4	154
Contingent liabilities and commitments	1,106	-	-	-	1,106

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

	30 September 2015 (reviewed)				
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	Total BD '000
Income:					
Income from financing contracts	36	15	30	4	84
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

During the period, the Group sold development properties for BD 2,114 thousands to a related party resulting in a gain of BD 201 thousands.

	30 September 2014 (reviewed)				
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	Total BD '000
Income:					
Income from financing contracts	304	-	214	4	522
Other income	146	-	-	3	149
Expenses:					
Profit on Wakala payables to non-banks	1,694	-	73	24	1,791
Share of profits on equity of investment account holders	-	-	3	-	3
Other operating expenses	-	-	567	-	567

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015 (reviewed)

11 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Reviewed)</i> 30 September 2015 BD'000	<i>(Audited)</i> 31 December 2014 BD'000
Contingent liabilities on behalf of customers		
Guarantees	29,280	37,077
Letters of credit	12,552	9,704
Acceptances	3,243	3,464
	<u>45,075</u>	<u>50,245</u>
Irrevocable unutilised commitments		
Unutilised financing commitments	28,245	87,337
Unutilised non-funded commitments	34,117	50,023
Commitments towards development cost	22,874	23,880
	<u>85,236</u>	<u>161,240</u>
Commitment relating to purchase of investment	<u>4,182</u>	<u>4,182</u>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the consolidated statement of financial position date but not provided for	29	45
	<u>134,522</u>	<u>215,712</u>
Forward foreign exchange contracts - notional amount	<u>6,996</u>	<u>15,781</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 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 2015 BD '000	<i>(Audited)</i> 31 December 2014 BD '000
Within 1 year	1,408	1,789
After one year but not more than five years	2,608	3,517

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2015 (reviewed)

12 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 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	22,250	5,315	8,135	547	36,247
Segment result	6,726	4,305	6,535	(3,716)	13,850
Other Information					
Segment assets	664,586	696,454	323,667	99,324	1,784,031
Segment liabilities and equity	1,128,000	232,730	90,158	333,143	1,784,031

Goodwill resulting from BMI acquisition is allocated to banking segment.

Segment information for the period ended 30 September 2014 (reviewed) was as follows:

	<i>30 September 2014 (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	20,258	3,861	9,895	1,324	35,338
Segment result	553	3,017	8,087	700	12,357

Segment information for the year ended 31 December 2014 (audited) was as follows:

Other information					
Segment assets	830,396	537,408	356,947	230,546	1,955,297
Segment liabilities and equity	1,444,201	121,549	62,258	327,289	1,955,297

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.