

Al Salam Bank-Bahrain B.S.C.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 March 2016

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 31 March 2016, and the related interim consolidated income statement, statements of cash flows and changes in owners' equity for the three 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.




25 April 2016
Manama, Kingdom of Bahrain

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016 (reviewed)

		(Reviewed) 31 March 2016 BD '000	(Audited) 31 December 2015 BD '000
	Note		
ASSETS			
Cash and balances with banks and Central Bank		123,993	152,572
Sovereign Sukuk		357,527	350,474
Murabaha and Wakala receivables from banks		174,999	103,345
Corporate Sukuk		50,213	50,472
Murabaha financing		261,296	245,168
Mudaraba financing		217,632	239,031
Ijarah Muntahia Bittamleek		158,779	155,217
Musharaka		7,005	7,154
Assets under conversion	3	29,388	32,032
Non-trading investments	4	121,706	123,514
Investments in real estate		72,529	71,517
Development properties		43,487	49,021
Investment in associates		10,689	9,994
Other assets	5	32,769	41,161
Goodwill		25,971	25,971
TOTAL ASSETS		1,687,983	1,656,643
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		107,270	120,795
Murabaha and Wakala payables to non-banks		822,061	842,570
Current accounts		256,391	224,366
Liabilities under conversion	3	677	2,327
Term financing	6	74,283	35,986
Other liabilities		49,313	48,246
TOTAL LIABILITIES		1,309,995	1,274,290
EQUITY OF INVESTMENT ACCOUNTHOLDERS		64,209	62,351
OWNERS' EQUITY			
Share capital		214,093	214,093
Reserves and retained earnings		98,708	94,140
Proposed appropriations		-	10,705
Total equity attributable to shareholders of the Bank		312,801	318,938
Non-controlling interest		978	1,064
TOTAL OWNERS' EQUITY		313,779	320,002
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		1,687,983	1,656,643


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

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2016 (reviewed)

	<i>Note</i>	<i>31 March 2016 BD '000</i>	<i>31 March 2015 BD '000</i>
OPERATING INCOME			
Income from financing contracts		9,112	12,432
Income from Sukuk		4,389	4,044
Gains on sale of investments and Sukuk	7	1,112	155
Income from investments	8	332	676
Fair value changes on investments		1,096	274
Dividend income		352	378
Foreign exchange gains (losses)		449	(117)
Fees, commission and other income - net		1,210	1,487
		18,052	19,329
Profit on Murabaha and Wakala payables to banks		(334)	(186)
Profit on Wakala payables to non-banks		(4,729)	(7,265)
Profit on term financing		(410)	(223)
Return on equity of investment accountholders before			
Group's share as a Mudarib		(55)	(98)
Group's share as a Mudarib		25	44
		(30)	(54)
Total operating income		12,549	11,601
OPERATING EXPENSES			
Staff cost		2,631	3,235
Premises and equipment cost		645	693
Depreciation		992	567
Other operating expenses		2,146	2,835
Total operating expenses		6,414	7,330
PROFIT BEFORE PROVISIONS AND RESULTS			
OF ASSOCIATES		6,135	4,271
Provision for financing and investments - net		(2,361)	(1,212)
Share of profit from associates		727	855
NET PROFIT FOR THE PERIOD		4,501	3,914
ATTRIBUTABLE TO:			
- Shareholders of the Bank		4,650	3,793
- Non-controlling interest		(149)	121
		4,501	3,914
Weighted average number of shares (in '000)		2,140,931	2,140,931
Basic and diluted earnings per share (fils)		2.2	1.8


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

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2016 (reviewed)

	<i>31 March 2016 BD '000</i>	<i>31 March 2015 BD '000</i>
OPERATING ACTIVITIES		
Net profit for the period	4,501	3,914
Adjustments:		
Depreciation	992	567
Amortisation of premium / discount on Sukuk - net	415	429
Fair value changes on investments	(1,096)	(274)
Provision for financing and investments - net	2,361	1,212
Share of profit from associates	(727)	(855)
Income from assets classified as held-for-sale	-	(227)
Operating income before changes in operating assets and liabilities	<u>6,446</u>	<u>4,766</u>
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	406	1,298
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	-	3,613
Murabaha financing	(16,775)	6,885
Mudaraba financing	21,357	(5,700)
Ijarah Muntahia Bittamleek	(3,192)	5,959
Musharaka	149	33
Assets under conversion	2,710	25,895
Other assets	7,477	(501)
Murabaha and Wakala payables to banks	(13,525)	(8,040)
Wakala from non-banks	(20,509)	1,013
Current accounts	32,025	15,867
Liabilities under conversion	(1,650)	(60,071)
Other liabilities	(402)	8,174
Net cash from (used in) operating activities	<u>14,517</u>	<u>(809)</u>
INVESTING ACTIVITIES		
Sovereign Sukuk	(7,317)	(33,888)
Corporate Sukuk	108	1,085
Assets and liabilities held-for-sale	-	(16,234)
Non-trading Investments and investment in associates, net	2,220	(2,027)
Investments in real estate and development properties, net	4,522	1,404
Purchase of premises and equipment	(180)	(66)
Net cash used in investing activities	<u>(647)</u>	<u>(49,726)</u>
FINANCING ACTIVITIES		
Term financing	38,297	(1,255)
Equity of investment accountholders	1,858	8,877
Dividends paid	(10,705)	(10,830)
Net movements in non-controlling interest	160	3,398
Net cash from financing activities	<u>29,610</u>	<u>190</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>43,480</u>	<u>(50,345)</u>
Cash and cash equivalents at 1 January	<u>223,677</u>	<u>408,535</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>267,157</u></u>	<u><u>358,190</u></u>
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank	43,606	178,209
Balances with other banks	48,552	28,389
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	174,999	151,592
	<u><u>267,157</u></u>	<u><u>358,190</u></u>

The attached notes 1 to 13 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 three month period ended 31 March 2016 (reviewed)

	Attributable to shareholders of the Bank										Total owners' equity	
	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
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	1,964	320,002
Net profit for the period	-	-	4,650	-	-	-	-	4,650	-	4,650	(149)	4,501
Net changes in fair value	-	-	-	(48)	-	-	-	(48)	-	(48)	-	(48)
Foreign currency re-translation	-	-	-	-	-	(34)	-	(34)	-	(34)	(97)	(131)
Dividend paid	-	-	-	-	-	-	-	-	(10,705)	(10,705)	-	(10,705)
Net movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	160	160
Balance at 31 March 2016	214,093	13,716	51,453	(196)	24,253	(2,727)	12,209	98,708	-	312,801	978	313,779
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	-	-	3,793	-	-	-	-	3,793	-	3,793	121	3,914
Net changes in fair value	-	-	-	945	16	-	-	961	-	961	-	961
Foreign currency re-translation	-	-	-	-	-	(689)	-	(689)	-	(689)	-	(689)
Dividend paid	-	-	-	-	-	-	-	-	(10,705)	(10,705)	(125)	(10,830)
Net movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	3,398	3,398
Balance at 31 March 2015	214,093	12,481	50,290	2,232	22,720	(2,090)	12,209	97,842	-	311,935	13,622	325,557

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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 and 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.

The Bank and its subsidiary BMI operate through nine 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 25 April 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 three months ended 31 March 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

31 March 2016

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> 31 March 2016 BD '000	<i>(Audited)</i> 31 December 2015 BD '000
Assets		
Loans and advances	29,030	31,437
Non-trading investments - debt	24	24
Non-trading investment - available-for-sale - equity *	16	16
Other assets	318	555
	<u>29,388</u>	<u>32,032</u>
Liabilities		
Other liabilities	677	2,327
	<u>677</u>	<u>2,327</u>

* The above available-for-sale equity investment is classified as Level 3 (2015: Level 3) in the fair value hierarchy (note 4). During the period there were no movements in the fair value of this investment.

4 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;

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:

31 March 2016	<i>(Reviewed)</i>			<i>Total</i> BD '000
	<i>Level 1</i> BD '000	<i>Level 2</i> BD '000	<i>Level 3</i> BD '000	
Financial assets at fair value through profit or loss	6,307	5,128	102,312	113,747
Available-for-sale financial assets	4,227	-	3,732	7,959
	<u>10,534</u>	<u>5,128</u>	<u>106,044</u>	<u>121,706</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4 NON-TRADING INVESTMENTS (continued)

31 December 2015	------(Audited)-----			Total BD '000
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	
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, investment amounting to BD 1,793 (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>	
	2016	2015
	BD '000	BD '000
At 1 January	106,392	121,890
Fair value changes	5	(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	5	(11)
At 31 March / 31 December	<u>106,044</u>	<u>106,392</u>

5 OTHER ASSETS

	(Reviewed)	(Audited)
	31 March 2016 BD '000	31 December 2015 BD '000
Assets under conversion (a)		
Non-trading-investments - debt	236	236
Non-trading investments - available-for-sale - equity (b)	1,461	2,036
	<u>1,697</u>	<u>2,272</u>
Repossessed assets	1,359	4,007
Profit receivable	8,254	7,995
Premises and equipment	3,574	3,910
Prepayments	1,027	1,066
Rental receivable on Ijarah Muntahia Bittamleek assets	312	685
Other receivables and advances (c)	8,534	15,469
Aircraft (d)	8,012	8,488
	<u>32,769</u>	<u>43,892</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

5 OTHER ASSETS (continued)

(b) The above available-for-sale equity investments are classified as Level 3 (2015: Level 3) in the fair value hierarchy (note 4). Movements in these investments are as follows:

	<i>Fair value measurement using significant unobservable inputs Level 3</i>	
	<i>2016 BD '000</i>	<i>2015 BD '000</i>
At 1 January	2,036	2,412
Fair value changes	-	188
Repayments during the period / year	(70)	(69)
Disposals during the period / year	(505)	(334)
Provision	-	(161)
At 31 March / 31 December	<u>1,461</u>	<u>2,036</u>

(c) This includes BD 5,772 thousands (2015: 10,865 thousands) relating to receivable from sale of investments and advances to contractors.

(d) This aircraft was on lease and the lease was terminated during 2015. The management is in the process of re-leasing the aircraft.

6 TERM FINANCING

Term financing is subject to the following key terms:

a) BD 7,538 thousands (31 December 2015: BD 7,531 thousands) carries a profit and is repayable on quarterly basis with final maturity on 13 December 2018. The collateral for this facility is an aircraft, with a carrying value of BD 8,012 thousands (31 December 2015: BD 8,488 thousands);

b) BD 12,080 thousands (31 December 2015: BD 11,490 thousands) carries profit and matures on 21 August 2016. The collateral for this facility is investments in real estate with a carrying value of BD 20,039 thousands (31 December 2015: BD 19,027 thousands);

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 40,818 thousands (31 December 2015: 40,879 thousands); and

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 73,376 thousands (31 December 2015: nil).

7 GAINS ON SALE OF INVESTMENTS AND SUKUK

	<i>31 March 2016 BD '000</i>	<i>31 March 2015 BD '000</i>
Gain on sale of:		
Development properties	980	191
FVTPL investments	60	22
Sukuk	51	-
Available-for-sale investments	21	(58)
	<u>1,112</u>	<u>155</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

8 INCOME FROM INVESTMENTS

	<i>31 March</i> <i>2016</i> <i>BD '000</i>	<i>31 March</i> <i>2015</i> <i>BD '000</i>
Income from assets classified as held-for-sale	-	227
Rental income from investments in real estate	516	382
Income from FVTPL investments	(184)	67
	<u>332</u>	<u>676</u>

9 TOTAL COMPREHENSIVE INCOME

	<i>31 March</i> <i>2016</i> <i>BD '000</i>	<i>31 March</i> <i>2015</i> <i>BD '000</i>
Net profit for the period	<u>4,501</u>	<u>3,914</u>
Other comprehensive (loss) / income:		
<i>Items to be reclassified to income statement</i>		
<i>in subsequent periods:</i>		
Unrealized gain reclassified to consolidated income statement on disposal of available-for-sale investments	(23)	-
Unrealised (loss) / gain on available-for-sale investments	(25)	945
Changes in fair value of investments in real estate	-	16
Foreign currency re-translation	(131)	(689)
Other comprehensive (loss) / income for the period	<u>(179)</u>	<u>272</u>
Total comprehensive income for the period	<u>4,322</u>	<u>4,186</u>
<i>Attributable to:</i>		
Shareholders of the Bank	4,568	4,065
Non-controlling interest	(246)	121
	<u>4,322</u>	<u>4,186</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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 made on commercial terms.

The significant balances with related parties at 31 March 2016 were as follows:

	<i>31 March 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	-	224	-	-	224
Murabaha financing	32,799	-	-	37	32,836
Mudaraba financing	1,885	-	-	-	1,885
Ijarah Muntahia Bittamleek	-	-	-	182	182
Musharaka	-	-	53	-	53
Other assets	378	-	66	11	455
Liabilities and equity of investment accountholders:					
Murabaha and Wakala payables					
to non-banks	1,415	17,315	48	657	19,435
Current accounts	4,652	11	387	69	5,119
Equity of investment accountholders	-	-	2,032	126	2,158
Other liabilities	531	-	-	5	536
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

31 March 2016

10 RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2016 (Reviewed)				Total BD '000
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	
Income:					
Income from financing contracts	-	-	1	1	2
Expenses:					
Profit on Wakala payables to non-banks	21	108	-	-	129
Other operating expenses	-	-	105	-	105

	31 March 2015 (Reviewed)				Total BD '000
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	
Income:					
Income from financing contracts	86	725	24	1	836
Other income	49	-	-	-	49
Expenses:					
Profit on Wakala payables to non-banks	45	-	19	5	69

11 CONTINGENT LIABILITIES AND COMMITMENTS

	(Reviewed)	(Audited)
	31 March 2016 BD '000	31 December 2015 BD '000
Contingent liabilities on behalf of customers		
Guarantees	23,040	28,144
Letters of credit	8,599	9,594
Acceptances	2,271	2,275
	33,910	40,013
Irrevocable unutilised commitments		
Unutilised financing commitments	89,010	79,465
Unutilised non-funded commitments	32,574	37,023
Commitments towards development cost	4,668	6,981
	126,252	123,469

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

11 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

	<i>(Reviewed)</i> <i>31 March</i> <i>2016</i> <i>BD '000</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>BD '000</i>
Commitment relating to purchase of investment	4,182	4,182
Capital expenditure commitments		
Estimated capital expenditure contracted for at the interim consolidated statement of financial position date but not provided for	-	29
	164,344	167,693
Forward foreign exchange contracts - notional amount	2,191	14,448

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> <i>31 March</i> <i>2016</i> <i>BD '000</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>BD '000</i>
Within 1 year	1,307	1,328
After one year but not more than five years	3,071	2,576
	4,378	3,904

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.

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12 SEGMENT INFORMATION (continued)

Segment information for the period ended 31 March 2016 was as follows:

	<i>31 March 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	9,435	914	1,610	590	12,549
Segment result	4,337	(19)	629	(446)	4,501
Other Information					
Segment assets	657,057	652,835	245,573	132,518	1,687,983
Segment liabilities and equity	1,124,841	165,518	65,388	332,236	1,687,983

Goodwill resulting from BMI acquisition is allocated to banking segment.

Segment information for the period ended 31 March 2015 was as follows:

	<i>31 March 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	9,209	1,275	887	230	11,601
Segment result	3,258	1,179	242	(765)	3,914

Segment information for the year ended 31 December 2015 (Audited) was as follows:

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.

13 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.