Al Salam Bank-Bahrain B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017 (Reviewed)

Building a better working world

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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 2017, 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.

Ernst + Young

8 November 2017
Manama, Kingdom of Bahrain

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2017 (reviewed)

	Note	*(Reviewed)* ***30 September 2017*** ***BD '000***	*(Audited)* *31 December 2016* *BD '000*
ASSETS			
Cash and balances with banks and Central Bank		**103,102**	131,990
Sovereign Sukuk		**363,160**	358,269
Murabaha and Wakala receivables from banks		**155,585**	182,452
Corporate Sukuk		**10,337**	28,934
Murabaha financing		**221,661**	213,687
Mudaraba financing		**289,089**	252,807
Ijarah Muntahia Bittamleek		**213,249**	188,485
Musharaka		**17,098**	12,304
Assets under conversion	4	**3,094**	37,016
Non-trading investments	5	**115,130**	122,073
Investments in real estate		**51,863**	51,863
Development properties		**10,696**	17,781
Investment in associates		**17,529**	10,561
Other assets	6	**69,829**	27,260
Goodwill		**25,971**	25,971
Assets classified as held-for-sale		**-**	19,840
TOTAL ASSETS		**1,667,393**	1,681,293
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		**145,432**	132,032
Murabaha and Wakala payables to non-banks		**658,535**	723,439
Current accounts		**291,407**	279,609
Liabilities under conversion	4	**2,199**	217
Murabaha term financing		**97,144**	91,837
Other liabilities		**57,046**	49,043
Liabilities relating to assets classified as held-for-sale		**-**	11,421
TOTAL LIABILITIES		**1,251,763**	1,287,598
EQUITY OF INVESTMENT ACCOUNTHOLDERS		**89,941**	68,796
OWNERS' EQUITY			
Share capital		**214,093**	214,093
Treasury stock		**(1,733)**	(1,646)
Reserves and retained earnings		**112,637**	100,213
Proposed appropriations		**-**	10,705
Total equity attributable to shareholders of the Bank		**324,997**	323,365
Non-controlling interest		**692**	1,534
TOTAL OWNERS' EQUITY		**325,689**	324,899
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**1,667,393**	1,681,293

Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board

Yousif A. Taqi
Director & Chief Executive Officer

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 nine month period ended 30 September 2017 (reviewed)

	Note	***Three months ended 30 September 2017*** **BD '000**	*Three months ended 30 September 2016* BD '000	***Nine months ended 30 September 2017*** **BD '000**	*Nine months ended 30 September 2016* BD '000
OPERATING INCOME					
Income from financing contracts		**11,030**	9,988	**32,654**	28,638
Income from Sukuk		**4,190**	3,663	**12,543**	11,766
Gain on sale of investments and Sukuk - net	7	**2,407**	172	**2,830**	2,226
Income from investments	8	**131**	246	**1,697**	1,877
Fair value changes on investments		**(551)**	(864)	**(826)**	363
Dividend income		**168**	435	**575**	817
Foreign exchange gain		**302**	461	**632**	1,155
Fees, commission and other income - net	9	**2,961**	2,695	**10,946**	5,931
		20,638	16,796	**61,051**	52,773
Profit on Murabaha and Wakala payables to banks		**(341)**	(369)	**(1,322)**	(1,481)
Profit on Wakala payables to non-banks		**(3,695)**	(4,397)	**(11,701)**	(13,627)
Profit on Murabaha term financing		**(546)**	(571)	**(1,668)**	(1,391)
Return on equity of investment accountholders before Group's share as a Mudarib		**(56)**	(55)	**(147)**	(162)
Group's share as a Mudarib		**25**	25	**66**	73
		(31)	(30)	**(81)**	(89)
Total operating income		**16,025**	11,429	**46,279**	36,185
OPERATING EXPENSES					
Staff cost		**2,685**	2,649	**8,006**	8,172
Premises and equipment cost		**393**	328	**1,120**	1,560
Depreciation		**298**	572	**1,131**	2,552
Other operating expenses		**2,241**	1,765	**7,018**	6,419
Total operating expenses		**5,617**	5,314	**17,275**	18,703
PROFIT BEFORE PROVISIONS AND RESULTS OF ASSOCIATES		**10,408**	6,115	**29,004**	17,482
Provision for impairment - net		**(6,108)**	(1,823)	**(17,219)**	(5,537)
Share of profit from associates		**-**	-	**910**	727
NET PROFIT FOR THE PERIOD		**4,300**	4,292	**12,695**	12,672
ATTRIBUTABLE TO:					
- Shareholders of the Bank		**4,356**	4,220	**12,833**	12,930
- Non-controlling interest		**(56)**	72	**(138)**	(258)
		4,300	4,292	**12,695**	12,672
Weighted average number of shares (in '000)		**2,125,086**	2,140,931	**2,125,191**	2,140,931
Basic and diluted earnings per share (fils)		**2**	2	**6**	6

Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board

Yousif A. Taqi
Director & Chief Executive Officer

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 nine month period ended 30 September 2017 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank												
			Reserves										
	Share capital	***Treasury stock***	***Statutory reserve***	***Retained earnings***	***Changes in fair value***	***Real estate fair value reserve***	***Foreign exchange translation reserve***	***Share premium reserve***	***Total reserves***	***Proposed appropria-tions***	***Total***	***Non-controlling interest***	***Total owners' equity***
Balance as of 1 January 2017	**214,093**	**(1,646)**	**15,338**	**50,695**	**445**	**24,234**	**(2,708)**	**12,209**	**100,213**	**10,705**	**323,365**	**1,534**	**324,899**
Net profit / (loss) for the period	-	-	-	**12,833**	-	-	-	-	**12,833**	-	**12,833**	**(138)**	**12,695**
Net changes in fair value	-	-	-	-	**377**	-	-	-	**377**	-	**377**	-	**377**
Foreign currency re-translation	-	-	-	-	-	-	**(138)**	-	**(138)**	-	**(138)**	-	**(138)**
Dividend paid	-	-	-	**79**	-	-	-	-	**79**	**(10,705)**	**(10,626)**	-	**(10,626)**
Sale of a subsidiary	-	-	-	-	-	**(727)**	-	-	**(727)**	-	**(727)**	**(704)**	**(1,431)**
Purchase of treasury stock	-	**(87)**	-	-	-	-	-	-	-	-	**(87)**	-	**(87)**
Balance at 30 September 2017	**214,093**	**(1,733)**	**15,338**	**63,607**	**822**	**23,507**	**(2,846)**	**12,209**	**112,637**	**-**	**324,997**	**692**	**325,689**
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 / (loss) 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	-	-	-	-	-	-	-	-	-	-	-	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

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2017 (reviewed)

	Nine months ended 30 September 2017 BD '000	*Nine months ended 30 September 2016 BD '000*
OPERATING ACTIVITIES		
Net profit for the period	**12,695**	12,672
Adjustments:		
Depreciation	**1,131**	2,552
Amortisation of premium on Sukuk - net	**881**	1,263
Fair value changes on investments	**826**	(363)
Gain on sale of investments and Sukuk -net	**(2,830)**	2,226
Provision for impairment - net	**17,219**	5,537
Share of profit from associates	**(910)**	(727)
Operating income before changes in operating assets and liabilities	**29,012**	23,160
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	**(2,461)**	3,573
Murabaha financing	**(14,896)**	(12,939)
Mudaraba financing	**(40,966)**	9,345
Ijarah Muntahia Bittamleek	**(24,405)**	(11,810)
Musharaka	**(4,794)**	(3,733)
Assets under conversion	**10,513**	(3,074)
Other assets	**(20,776)**	15,595
Murabaha and Wakala payables to banks	**13,400**	(33,539)
Wakala from non-banks	**(64,904)**	(126,705)
Current accounts	**11,798**	58,606
Liabilities under conversion	**1,982**	(2,117)
Other liabilities	**7,871**	(1,916)
Net cash used in operating activities	**(98,626)**	(85,554)
INVESTING ACTIVITIES		
Sovereign Sukuk	**(5,734)**	19,450
Corporate Sukuk	**18,559**	10,853
Non-trading investments	**4,190**	(8,259)
Investment in associates	**(6,196)**	5
Investments in real estate	**-**	(3,626)
Development properties	**7,085**	6,728
Purchase of premises and equipment	**(677)**	(111)
Sale of a subsidiary	**7,444**	-
Net cash from investing activities	**24,671**	25,040
FINANCING ACTIVITIES		
Murabaha term financing	**16,497**	58,565
Equity of investment accountholders	**21,145**	3,178
Dividends paid	**(10,626)**	(10,705)
Purchase of treasury stock	**(87)**	-
Net movements in non-controlling interest	**-**	602
Murabaha term financing paid	**(11,190)**	-
Net cash from financing activities	**15,739**	51,640
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(58,216)**	(8,874)
Cash and cash equivalents at 1 January	**284,928**	223,677
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**226,712**	214,803

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the nine month period ended 30 September 2017 (reviewed)

	Nine months ended 30 September 2017 BD '000	*Nine months ended 30 September 2016 BD '000*
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank	**15,941**	81,901
Balances with other banks	**55,186**	41,815
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	**155,585**	91,087
	226,712	214,803

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, Commerce and Tourism ("MOICT") 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 Center 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.

On 29 November 2016, the shareholders of BMI resolved to approve the transfer of business of BMI to the Bank. The transfer of business notice period ended on 11 April 2017 and CBB approved the transfer of business of BMI to the Bank on 19 April 2017. The Bank has initiated the process to takeover all the rights and assumed obligations of BMI at their carrying values.

During 2016, the Bank acquired 70% stake in Al Salam Bank Seychelles Limited ("ASBS").

The Bank and its principal subsidiaries operate through 10 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 includes 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 8 November 2017.

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 2016, 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 IFRS.

These 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 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 2016. There have been no new standards, interpretations and amendments during the period that might have any material impact on the interim condensed consolidated financial statements of the Group.

3 OTHER OPERATING INCOME

In addition to the dividend income, other operating income includes income amounting to BD 5,527 thousands for the nine months period ended 30 September 2017 (30 September 2016: BD nil) which is of a seasonal nature.

4 ASSETS AND LIABILITIES UNDER CONVERSION

These represent interest bearing non-Shari'a compliant assets and liabilities of 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:

	(Reviewed) 30 September 2017 BD '000	*(Audited) 31 December 2016 BD '000*
Assets		
Loans and advances	**3,094**	35,408
Non-trading investments - debt	**-**	1,592
Non-trading investment - fair value through equity	**-**	16
	3,094	37,016
Liabilities		
Customers' deposits	**2,131**	**-**
Other liabilities	**68**	217
	2,199	217

During the period, assets under conversion related to BMI have been transferred to other assets upon completion of the conversion period (note 6).

5 NON-TRADING INVESTMENTS

Non-trading investments are classified as fair value through equity 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; or

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 interim consolidated statement of financial position:

	----------(Reviewed)----------			
30 September 2017	***Level 1***	***Level 2***	***Level 3***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Financial assets at fair value through profit or loss	**6,509**	**5,431**	**98,211**	**110,151**
Financial assets at fair value through equity	**3,003**	**-**	**1,976**	**4,979**
	9,512	**5,431**	**100,187**	**115,130**

5 NON-TRADING INVESTMENTS (continued)

31 December 2016	*Level 1*	*Level 2*	*Level 3*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
	----------(Audited)----------			
Financial assets at fair value through profit or loss	7,755	5,011	102,637	115,403
Financial assets at fair value through equity	3,968	-	2,702	6,670
	11,723	5,011	105,339	122,073

During the period, an amount of BD nil (2016: BD 1,793 thousands) 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:

	(Reviewed) 30 September 2017	*(Audited) 31 December 2016*
	BD '000	*BD '000*
At 1 January	**105,339**	106,392
Additions during the period / year	**-**	414
Fair value changes	**(2,806)**	(1,109)
Transfer from level 1 to level 3	**-**	1,793
Disposals during the period / year	**(2,346)**	(2,151)
	100,187	105,339

6 OTHER ASSETS

	(Reviewed) 30 September 2017	*(Audited) 31 December 2016*
	BD '000	*BD '000*
Assets under conversion (a)		
Loans and advances to customers	**19,239**	-
Non-trading investments - fair value through equity (b)	**1,502**	1,449
Non-trading investments - debt	**236**	236
	20,977	1,685
Repossessed assets (c)	**14,351**	4,863
Profit receivable	**9,575**	9,922
Premises and equipment	**2,060**	2,514
Prepayments	**1,492**	1,874
Rental receivable on Ijarah Muntahia Bittamleek assets	**2,109**	449
Credit card receivables - net	**2,889**	2,926
Aircraft (d)	**5,591**	-
Receivable from sale of development properties	**8,495**	-
Other receivables and advances (e)	**2,290**	3,027
	69,829	27,260

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

(b) The above fair value through equity investments are classified as Level 3 in the fair value hierarchy (note 5). Movements in fair value through equity investments are as follows:

6 OTHER ASSETS (continued)

	Fair value measurement using significant unobservable inputs Level 3	
	(Reviewed) 30 September 2017 BD '000	*(Audited) 31 December 2016 BD '000*
At 1 January	**1,449**	2,036
Additions / (transfer) during the period / year	**53**	(82)
Disposals during the period / year	**-**	(505)
	1,502	1,449

(c) During the period, the Group repossessed certain collaterals amounting to a total of BD 9,488 thousands (2016: BD 4,863 thousands) from settlement of its non performing facilities.

(d) This Aircraft was on lease and the lease was terminated during the period.

(e) This includes overdrawn accounts of BD 439 thousands (2016: BD 1,181 thousands).

7 GAIN ON SALE OF INVESTMENTS AND SUKUK - NET

	Three months ended 30 September 2017 BD '000	*Three months ended 30 September 2016 BD '000*	***Nine months ended 30 September 2017 BD '000***	*Nine months ended 30 September 2016 BD '000*
Gain / (loss) on sale of:				
Development properties*	**1,569**	172	**1,667**	2,096
Fair value through equity investments	**815**	-	**815**	61
Held for sale investments	**-**	-	**323**	-
Sukuk	**(2)**	-	**10**	29
Fair value through profit or loss investments	**25**	-	**(20)**	-
Other investments	**-**	-	**35**	40
	2,407	172	**2,830**	2,226

* Sale of BD 12,451 thousands (2016: BD 10,906 thousands) and cost of BD 10,784 thousands (2016: BD 8,982 thousands).

8 INCOME FROM INVESTMENTS

	Three months ended 30 September 2017 BD '000	*Three months ended 30 September 2016 BD '000*	***Nine months ended 30 September 2017 BD '000***	*Nine months ended 30 September 2016 BD '000*
Income / (loss) from fair value through profit or loss	**77**	(342)	**1,571**	503
Rental income from investments in real estate	**54**	588	**126**	1,374
	131	246	**1,697**	1,877

9 FEES, COMMISSION AND OTHER INCOME - NET

	Three months ended 30 September 2017 BD '000	*Three months ended 30 September 2016 BD '000*	***Nine months ended 30 September 2017 BD '000***	*Nine months ended 30 September 2016 BD '000*
Financing and transaction related fees and commission	**1,039**	2,236	**4,652**	4,825
Fiduciary and other fees	**23**	30	**78**	83
Other income*	**1,899**	429	**6,216**	1,023
	2,961	2,695	**10,946**	5,931

* This includes a sale of a facility to a third party resulting in an income of BD 1,594 thousands (2016: BD nil). In addition, the Group recovered excess amount of BD 3,933 thousands (2016: BD nil) over acquired values due to settlement of non performing financing facilities.

10 TOTAL COMPREHENSIVE INCOME

	Three months ended 30 September 2017 BD '000	*Three months ended 30 September 2016 BD '000*	***Nine months ended 30 September 2017 BD '000***	*Nine months ended 30 September 2016 BD '000*
Net profit for the period	**4,300**	4,292	**12,695**	12,672
Unrealized gain reclassified to interim consolidated income statement on disposal of fair value through equity investments	**(595)**	-	**(1,322)**	(82)
Unrealised gain on fair value through equity investments	**25**	567	**972**	529
Foreign currency re-translation	**(223)**	106	**(138)**	(64)
Other comprehensive (loss) / gain for the period	**(793)**	673	**(488)**	383
Total comprehensive income for the period	**3,507**	4,965	**12,207**	13,055
Attributable to:				
- Shareholders of the Bank	**3,563**	4,852	**12,345**	13,325
- Non-controlling interest	**(56)**	113	**(138)**	(270)
	3,507	4,965	**12,207**	13,055

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.

11 RELATED PARTY TRANSACTIONS (continued)

The balances with related parties were as follows:

	30 September 2017 (Reviewed)				
	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	**-**	**98**	**-**	**-**	**98**
Murabaha financing	**24,590**	**-**	**-**	**164**	**24,754**
Mudaraba financing	**516**	**-**	**3,820**	**-**	**4,336**
Ijarah Muntahia Bittamleek	**-**	**-**	**1,717**	**610**	**2,327**
Musharaka	**-**	**-**	**38**	**-**	**38**
Other assets	**64**	**-**	**106**	**43**	**213**
Liabilities and equity of investment accountholders:					
Murabaha and Wakala payables to non-banks	**3,410**	**50,605**	**675**	**2,011**	**56,701**
Current accounts	**564**	**325**	**584**	**159**	**1,632**
Equity of investment accountholders	**-**	**-**	**476**	**208**	**684**
Other liabilities	**78**	**202**	**5**	**14**	**299**
Contingent liabilities and commitments	**524**	**-**	**-**	**-**	**524**

	31 December 2016 (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	**-**	181	-	-	181
Murabaha and Wakala receivables from banks	**-**	6,786	-	-	6,786
Murabaha financing	25,172	-	-	115	25,287
Mudaraba financing	1,885	-	1,743	-	3,628
Ijarah Muntahia Bittamleek	**-**	-	1,875	226	2,101
Musharaka	**-**	-	45	-	45
Other assets	947	2	61	24	1,034
Liabilities and equity of investment accountholders:					
Murabaha and Wakala payables to non-banks	4,235	10,505	158	1,134	16,032
Current accounts	343	9	1,329	132	1,813
Equity of investment accountholders	-	-	825	135	960
Other liabilities	60	-	-	5	65
Contingent liabilities and commitments	743	-	-	-	743

11 RELATED PARTY TRANSACTIONS (continued)

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

	Nine months ended 30 September 2017 (Reviewed)				
	Associates and joint ventures	***Major shareholders***	***Directors and related entities***	***Senior management***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Income:					
Income from financing contracts	**8**	**8**	**138**	**13**	**167**
Expenses:					
Murabaha and Wakala payables to banks	**-**	**14**	**-**	**-**	**14**
Profit on Wakala payables to non-banks	**55**	**209**	**5**	**32**	**301**
Share of profits on equity of investment account holders	**-**	**-**	**2**	**1**	**3**
Other operating expenses	**-**	**-**	**441**	**-**	**441**
Provision for impairment	**5,625**	**-**	**-**	**-**	**5,625**

	Nine months ended 30 September 2016 (Reviewed)				
	Associates and joint ventures	*Major shareholders*	*Directors and related entities*	*Senior management*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Income:					
Income from financing contracts	-	14	50	4	68
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

12 CONTINGENT LIABILITIES AND COMMITMENTS

	(Reviewed) 30 September 2017	*(Audited) 31 December 2016*
	BD '000	*BD '000*
Contingent liabilities on behalf of customers		
Letters of credit	**20,956**	20,788
Guarantees	**20,736**	24,993
Acceptances	**2,832**	3,607
	44,524	49,388
Irrevocable unutilised commitments		
Unutilised financing commitments	**84,199**	114,491
Unutilised non-funded commitments	**17,586**	23,308
Commitments towards development cost	**15**	2,951
	101,800	140,750

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.

12 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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:

	(Reviewed) 30 September 2017 BD '000	*(Audited) 31 December 2016 BD '000*
Within 1 year	**1,238**	1,168
After one year but not more than five years	**2,183**	2,360
	3,421	3,528

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 2017 was as follows:

	30 September 2017 (Reviewed)				
	Banking BD '000	***Treasury BD '000***	***Investments BD '000***	***Capital BD '000***	***Total BD '000***
Operating income	**28,369**	**11,551**	**3,568**	**2,791**	**46,279**
Segment result	**12,271**	**9,668**	**(6,773)**	**(2,471)**	**12,695**
Other Information					
Segment assets	**695,757**	**669,046**	**220,491**	**82,099**	**1,667,393**
Segment liabilities and equity	**942,244**	**385,685**	**31,707**	**307,757**	**1,667,393**

Goodwill resulting from BMI acquisition is allocated to banking segment.

13 SEGMENT INFORMATION (continued)

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

	30 September 2016 (Reviewed)				
	Banking BD '000	*Treasury BD '000*	*Investments BD '000*	*Capital BD '000*	*Total BD '000*
Operating income	25,776	4,523	4,690	1,196	36,185
Segment result	10,190	3,050	410	(978)	12,672

Segment information for the year ended 31 December 2016 (Audited) was as follows:

Other information					
Segment assets	706,572	678,896	236,338	59,487	1,681,293
Segment liabilities and equity	1,021,629	317,079	50,312	292,273	1,681,293

Goodwill resulting from BMI acquisition is allocated to banking segment.

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.