

**Al Salam Bank-Bahrain B.S.C.**

**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2016 (Reviewed)**

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

### **Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Al Salam Bank-Bahrain B.S.C. ("the Bank") and its subsidiaries (together "the Group") as at 30 June 2016, and the related interim consolidated income statement, statements of cash flows and changes in owners' equity for the six 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.



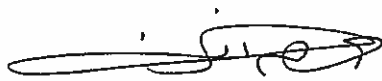
8 August 2016  
Manama, Kingdom of Bahrain

**Al Salam Bank-Bahrain B.S.C.**

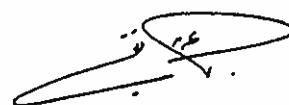
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2016 (reviewed)

		<i>(Reviewed)</i>	<i>(Audited)</i>
		<i>30 June</i>	<i>31 December</i>
		<i>2016</i>	<i>2015</i>
	<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		193,700	152,572
Sovereign Sukuk		307,591	350,474
Murabaha and Wakala receivables from banks		135,890	103,345
Corporate Sukuk		45,949	50,472
Murabaha financing		259,230	245,168
Mudaraba financing		234,411	239,031
Ijarah Muntahia Bittamleek		155,807	155,217
Musharaka		10,059	7,154
Assets under conversion	4	27,860	32,032
Non-trading investments	5	129,990	123,514
Investments in real estate		71,879	71,517
Development properties		41,947	49,021
Investment in associates		10,606	9,994
Other assets	6	34,445	41,161
Goodwill		25,971	25,971
<b>TOTAL ASSETS</b>		<b>1,685,335</b>	<b>1,656,643</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>LIABILITIES</b>			
Murabaha and Wakala payables to banks		125,933	120,795
Wakala payables to non-banks		765,112	842,570
Current accounts		284,698	224,366
Liabilities under conversion	4	741	2,327
Term financing	7	73,917	35,986
Other liabilities		47,000	48,246
<b>TOTAL LIABILITIES</b>		<b>1,297,401</b>	<b>1,274,290</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>69,965</b>	<b>62,351</b>
<b>OWNERS' EQUITY</b>			
Share capital		214,093	214,093
Reserves and retained earnings		102,613	94,140
Proposed appropriations		-	10,705
<b>Total equity attributable to shareholders of the Bank</b>		<b>316,706</b>	<b>318,938</b>
Non-controlling interest		1,263	1,064
<b>TOTAL OWNERS' EQUITY</b>		<b>317,969</b>	<b>320,002</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>1,685,335</b>	<b>1,656,643</b>



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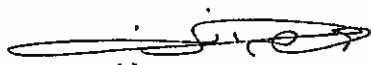
The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

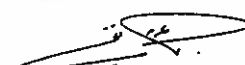
INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2016 (reviewed)

		<i>Three months ended 30 June 2016 BD '000</i>	<i>Three months ended 30 June 2015 BD '000</i>	<i>Six months ended 30 June 2016 BD '000</i>	<i>Six months ended 30 June 2015 BD '000</i>
<b>OPERATING INCOME</b>					
Income from financing contracts		9,538	10,821	18,650	24,322
Income from Sukuk		3,714	2,929	8,103	5,904
Net gain on sale of investments and Sukuk	8	942	1,353	2,054	1,508
Income from investments	9	1,299	1,667	1,631	2,343
Fair value changes on investments		131	550	1,227	824
Dividend income		30	86	382	464
Foreign exchange gains		245	570	694	453
Fees, commission and other income - net		2,026	1,375	3,236	2,862
		<b>17,925</b>	<b>19,351</b>	<b>35,977</b>	<b>38,680</b>
Profit on Murabaha and Wakala payables to banks		(778)	(174)	(1,112)	(360)
Profit on Wakala payables to non-banks		(4,501)	(6,348)	(9,230)	(13,785)
Profit on term financing		(410)	(227)	(820)	(450)
Return on equity of investment accountholders before					
Group's share as a Mudarib		(52)	(58)	(107)	(156)
Group's share as a Mudarib		23	26	48	70
		(29)	(32)	(59)	(86)
Total operating income		<b>12,207</b>	<b>12,570</b>	<b>24,756</b>	<b>23,999</b>
<b>OPERATING EXPENSES</b>					
Staff cost		2,892	2,900	5,523	6,135
Premises and equipment cost		587	698	1,232	1,391
Depreciation		988	383	1,980	950
Other operating expenses		2,508	2,631	4,654	5,294
Total operating expenses		<b>6,975</b>	<b>6,612</b>	<b>13,389</b>	<b>13,770</b>
<b>PROFIT BEFORE PROVISIONS AND RESULTS</b>					
<b>OF ASSOCIATES</b>		5,232	5,958	11,367	10,229
Provision for financing and investments - net		(1,353)	(838)	(3,714)	(2,050)
Share of profit from associates		-	-	727	855
<b>NET PROFIT FOR THE PERIOD</b>		<b>3,879</b>	<b>5,120</b>	<b>8,380</b>	<b>9,034</b>
<b>ATTRIBUTABLE TO:</b>					
- Shareholders of the Bank		4,060	5,152	8,710	8,945
- Non-controlling interest		(181)	(32)	(330)	89
		<b>3,879</b>	<b>5,120</b>	<b>8,380</b>	<b>9,034</b>
Weighted average number of shares (in '000)		<b>2,140,931</b>	<b>2,140,931</b>	<b>2,140,931</b>	<b>2,140,931</b>
Basic and diluted earnings per share (fils)		<b>1.9</b>	<b>2.4</b>	<b>4.1</b>	<b>4.2</b>



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

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2016 (reviewed)

	<i>Six months ended 30 June 2016 BD '000</i>	<i>Six months ended 30 June 2015 BD '000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	8,380	9,034
Adjustments:		
Depreciation	1,980	950
Amortisation of premium on Sukuk - net	849	968
Fair value changes on investments	(1,227)	(824)
Provision for financing and investments - net	3,714	2,050
Share of profit from associates	(727)	(855)
Income from assets classified as held-for-sale	-	(1,695)
Operating income before changes in operating assets and liabilities	<u>12,969</u>	<u>9,628</u>
<b>Changes in operating assets and liabilities:</b>		
Mandatory reserve with Central Bank	1,241	3,577
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	(5,868)	1,005
Murabaha financing	(15,736)	23,293
Mudaraba financing	4,509	6,094
Ijarah Muntahia Bittamleek	(186)	6,766
Musharaka	(2,905)	152
Assets under conversion	5,424	35,876
Other assets	5,674	(5,119)
Murabaha and Wakala payables to banks	5,138	15,578
Wakala from non-banks	(77,458)	(52,987)
Current accounts	51,151	(32,851)
Liabilities under conversion	(2,134)	(61,971)
Other liabilities	(1,248)	9,137
Net cash used in operating activities	<u>(19,429)</u>	<u>(41,822)</u>
<b>INVESTING ACTIVITIES</b>		
Net cash flow arising on acquisition of a subsidiary	7,997	-
Sovereign Sukuk	42,302	(51,877)
Corporate Sukuk	4,255	2,008
Assets and liabilities held-for-sale	-	(15,603)
Non-trading Investments and investment in associates, net	(6,300)	(3,213)
Investments in real estate and development properties, net	6,712	1,618
Purchase of premises and equipment	(1,332)	(569)
Net cash from (used in) investing activities	<u>53,634</u>	<u>(67,636)</u>
<b>FINANCING ACTIVITIES</b>		
Term financing	37,931	(1,438)
Equity of investment account holders	7,614	25,531
Dividends paid	(10,705)	(10,993)
Net movements in non-controlling interest	-	5,191
Net cash from financing activities	<u>34,840</u>	<u>18,291</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>69,045</u>	<u>(91,167)</u>
Cash and cash equivalents at 1 January	<u>223,677</u>	<u>408,535</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<u><u>292,722</u></u>	<u><u>317,368</u></u>
<b>Cash and cash equivalents comprise of:</b>		
Cash and other balances with Central Bank	141,173	175,202
Balances with other banks	21,527	42,816
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	130,022	99,350
	<u><u>292,722</u></u>	<u><u>317,368</u></u>

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

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the period ended 30 June 2016 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank											
	Share capital	Statutory reserve	Retained earnings	Changes in fair value	Real estate fair value reserve	Foreign exchange translation reserve	Share premium reserve	Total reserves	Proposed appropriations	Total	Non-controlling interest	Total owners' equity
Balance as of 1 January 2016	214,093	13,716	46,803	(148)	24,253	(2,693)	12,209	94,140	10,705	318,938	1,064	320,002
Net profit for the period	-	-	8,710	-	-	-	-	8,710	-	8,710	(330)	8,380
Net changes in fair value	-	-	-	(120)	-	-	-	(120)	-	(120)	-	(120)
Foreign currency re-translation	-	-	-	-	-	(117)	-	(117)	-	(117)	(53)	(170)
Dividend paid	-	-	-	-	-	-	-	-	(10,705)	(10,705)	-	(10,705)
Non-controlling interest arising on acquisition of a subsidiary (note 3)	-	-	-	-	-	-	-	-	-	-	582	582
<b>Balance at 30 June 2016</b>	<b>214,093</b>	<b>13,716</b>	<b>55,513</b>	<b>(268)</b>	<b>24,253</b>	<b>(2,810)</b>	<b>12,209</b>	<b>102,613</b>	<b>-</b>	<b>316,706</b>	<b>1,263</b>	<b>317,969</b>
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	-	-	8,945	-	-	-	-	8,945	-	8,945	89	9,034
Net changes in fair value	-	-	-	(247)	20	-	-	(227)	-	(227)	-	(227)
Foreign currency re-translation	-	-	-	-	-	(824)	-	(824)	-	(824)	(102)	(926)
Dividend paid	-	-	-	-	-	-	-	-	(10,705)	(10,705)	(288)	(10,993)
Net movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	5,293	5,293
<b>Balance at 30 June 2015</b>	<b>214,093</b>	<b>12,481</b>	<b>55,442</b>	<b>1,040</b>	<b>22,724</b>	<b>(2,225)</b>	<b>12,209</b>	<b>101,671</b>	<b>-</b>	<b>315,764</b>	<b>15,220</b>	<b>330,984</b>

The attached notes 1 to 14 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, 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.

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

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

These interim condensed consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 8 August 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 six months ended 30 June 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.

30 June 2016 (reviewed)

**3 BUSINESS COMBINATION**

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

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

The acquisition transaction was closed on 27 June 2016 with the Bank being allotted its ownership in ASBS. Thus, for the period ended 30 June 2016, the contribution of ASBS to the net profit of the Group is insignificant.

**4 ASSETS AND LIABILITIES UNDER CONVERSION**

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

	<i>(Reviewed)</i> 30 June 2016 BD '000	<i>(Audited)</i> 31 December 2015 BD '000
<b>Assets</b>		
Loans and advances	27,819	31,437
Non-trading investments - debt	24	24
Non-trading investment - available-for-sale - equity *	16	16
Other assets	1	555
	<u>27,860</u>	<u>32,032</u>
<b>Liabilities</b>		
Other liabilities	741	2,327
	<u>741</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.

**5 NON-TRADING INVESTMENTS**

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

**Fair value hierarchy**

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

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

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

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



30 June 2016 (reviewed)

**5 NON-TRADING INVESTMENTS (continued)**

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

30 June 2016	------(Reviewed)-----			Total BD '000
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	
Financial assets at fair value through profit or loss	6,509	5,365	110,509	122,383
Available-for-sale financial assets	3,874	-	3,733	7,607
	<b>10,383</b>	<b>5,365</b>	<b>114,242</b>	<b>129,990</b>

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
	<b>12,420</b>	<b>4,702</b>	<b>106,392</b>	<b>123,514</b>

During the period ended 30 June 2016, an amount of BD 1,793 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 Level 3</i>	
	2016 BD '000	2015 BD '000
At 1 January	106,392	121,890
Additions during the period / year	7,471	-
Fair value changes	732	(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 30 June / 31 December	<b>114,242</b>	<b>106,392</b>

The fair values of financial assets and financial liabilities with the exception of Sukuk that are carried at amortized cost, approximate their carrying value. The fair values of Sukuk that are held at amortized cost is BD 349 thousands (31 December 2015: BD 391 thousands). Carrying value of these Sukuk is BD 354 thousands (31 December 2015: BD 401 thousands).

30 June 2016 (reviewed)

**6 OTHER ASSETS**

	<i>(Reviewed)</i> 30 June 2016 BD '000	<i>(Audited)</i> 31 December 2015 BD '000
<b>Assets under conversion (a)</b>		
Non-trading-investments - debt	236	236
Non-trading investments - available-for-sale - equity (b)	1,449	2,036
	<b>1,685</b>	<b>2,272</b>
Repossessed assets	1,358	1,276
Profit receivable	9,014	7,995
Premises and equipment	3,222	3,910
Prepayments	4,196	1,066
Rental receivable on Ijarah Muntahia Bittamleek assets	332	685
Other receivables and advances (c)	7,102	15,469
Aircraft (d)	7,536	8,488
	<b>34,445</b>	<b>41,161</b>

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

(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>	
	2016 BD '000	2015 BD '000
At 1 January	2,036	2,412
Fair value changes	-	188
Repayments during the period / year	(82)	(69)
Disposals during the period / year	(505)	(334)
Provision	-	(161)
At 31 June / 31 December	<b>1,449</b>	<b>2,036</b>

(c) This includes BD 3,951 thousands (2015: 10,865 thousands) relating to receivable from sale of investments and advances to contractors.

(d) Aircraft was on lease and the lease was terminated during 2015. The Aircraft has been re-leased to VIM Airlines effective 14th July 2016 for a period of five and a half years.

**7 TERM FINANCING**

Term financing is subject to the following key terms:

a) BD 7,544 thousands (31 December 2015: BD 7,531 thousands) carries a profit and is repayable on quarterly basis with final maturity on 13 January 2022. The collateral for this facility is an aircraft, with a carrying value of BD 7,536 thousands (31 December 2015: BD 8,488 thousands);

b) BD 11,708 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 19,389 thousands (31 December 2015: BD 19,027 thousands);

30 June 2016 (reviewed)

**7 TERM FINANCING (continued)**

c) BD 16,965 thousands (31 December 2015: BD 16,965 thousands) carries profit and matures on 28 December 2018. The collateral for this facility is investments in corporate and sovereign Sukuk with a carrying value of BD 40,757 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 73,261 thousands (31 December 2015: nil).

**8 NET GAIN ON SALE OF INVESTMENTS AND SUKUK**

	<i>Three months ended 30 June 2016 BD '000</i>	<i>Three months ended 30 June 2015 BD '000</i>	<i>Six months ended 30 June 2016 BD '000</i>	<i>Six months ended 30 June 2015 BD '000</i>
<b>Gain (loss) on sale of:</b>				
Development properties *	944	484	1,924	675
FVTPL investments	1	(40)	61	(18)
Sukuk	(22)	909	29	909
Available-for-sale investments	(21)	-	-	(58)
Other investments	40	-	40	-
	<u>942</u>	<u>1,353</u>	<u>2,054</u>	<u>1,508</u>

\* Sales: BD 10,906 thousands (30 June 2015: 2,414 thousands) and cost: BD 8,982 thousands (30 June 2015: 1,739 thousands).

**9 INCOME FROM INVESTMENTS**

	<i>Three months ended 30 June 2016 BD '000</i>	<i>Three months ended 30 June 2015 BD '000</i>	<i>Six months ended 30 June 2016 BD '000</i>	<i>Six months ended 30 June 2015 BD '000</i>
Income from assets classified as held-for-sale	-	1,468	-	1,695
Rental income from investments in real estate	270	386	786	768
Income from FVTPL investments	1,029	(187)	845	(120)
	<u>1,299</u>	<u>1,667</u>	<u>1,631</u>	<u>2,343</u>

30 June 2016 (reviewed)

**10 TOTAL COMPREHENSIVE INCOME**

	<i>Three months ended 30 June 2016 BD '000</i>	<i>Three months ended 30 June 2015 BD '000</i>	<i>Six months ended 30 June 2016 BD '000</i>	<i>Six months ended 30 June 2015 BD '000</i>
<b>Net profit for the period</b>	<b>3,879</b>	<b>5,120</b>	<b>8,380</b>	<b>9,034</b>
<b>Other comprehensive (loss) / income:</b>				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
Unrealized gain reclassified to consolidated income statement on disposal of available-for-sale investments	(59)	-	(82)	-
Unrealised loss on available-for-sale investments	(13)	(1,192)	(38)	(247)
Changes in fair value of investments in real estate	-	4	-	20
Foreign currency re-translation	(39)	(237)	(170)	(926)
<b>Other comprehensive loss for the period</b>	<b>(111)</b>	<b>(1,425)</b>	<b>(290)</b>	<b>(1,153)</b>
<b>Total comprehensive income for the period</b>	<b>3,768</b>	<b>3,695</b>	<b>8,090</b>	<b>7,881</b>
<i>Attributable to:</i>				
Shareholders of the Bank	3,905	3,829	8,473	7,894
Non-controlling interest	(137)	(134)	(383)	(13)
	<b>3,768</b>	<b>3,695</b>	<b>8,090</b>	<b>7,881</b>

**11 RELATED PARTY TRANSACTIONS**

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

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

	<i>30 June 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>	
<b>Assets:</b>					
Cash and balances with banks and Central Bank	-	104	-	-	104
Murabaha financing	32,799	-	-	45	32,844
Mudaraba financing	1,885	-	-	-	1,885
Ijarah Muntahia Bittamleek	-	-	158	177	335
Musharaka	-	-	50	-	50
Other assets	9	2,212	34	22	2,277
<b>Liabilities and equity of investment accountholders:</b>					
Murabaha and Wakala payables to non-banks	1,510	12,437	48	691	14,686
Current accounts	176	8	409	76	669
Equity of investment accountholders	-	-	1,102	94	1,196
Other liabilities	54	2,115	-	3	2,172
Contingent liabilities and commitments	743	-	-	-	743

30 June 2016 (reviewed)

## 11 RELATED PARTY TRANSACTIONS (continued)

	31 December 2015 (Audited)				Total BD '000
	Associates, and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	
<b>Assets:</b>					
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
<b>Liabilities and equity of investment accountholders:</b>					
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

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

	30 June 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	
<b>Income:</b>					
Income from financing contracts	-	11	3	2	16
<b>Expenses:</b>					
Profit on Wakala payables to non-banks	11	200	1	7	219
Share of profits on equity of investment account holders	-	-	2	-	2
Other operating expenses	-	-	241	-	241

	30 June 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	
<b>Income:</b>					
Income from financing contracts	26	11	26	2	65
Other income	96	-	-	1	97
<b>Expenses:</b>					
Profit on Wakala payables to non-banks	80	1,369	36	9	1,494
Share of profits on equity of investment account holders	-	-	2	-	2
Other operating expenses	-	-	315	-	315

30 June 2016 (reviewed)

## 12 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Reviewed)</i> 30 June 2016 BD '000	<i>(Audited)</i> 31 December 2015 BD '000
<b>Contingent liabilities on behalf of customers</b>		
Guarantees	13,338	28,144
Letters of credit	17,305	9,594
Acceptances	2,662	2,275
	<u>33,305</u>	<u>40,013</u>
<b>Irrevocable unutilised commitments</b>		
Unutilised financing commitments	96,159	79,465
Unutilised non-funded commitments	33,254	37,023
Commitments towards development cost	3,977	6,981
	<u>133,390</u>	<u>123,469</u>
	<i>(Reviewed)</i> 30 June 2016 BD '000	<i>(Audited)</i> 31 December 2015 BD '000
<b>Commitment relating to purchase of investment</b>	4,182	4,182
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the interim consolidated statement of financial position date but not provided for	-	29
	<u>170,877</u>	<u>167,693</u>
<b>Forward foreign exchange contracts - notional amount</b>	13,942	14,448
	<u>180,637</u>	<u>177,959</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 June 2016 BD '000	<i>(Audited)</i> 31 December 2015 BD '000
Within 1 year	1,125	1,328
After one year but not more than five years	2,548	2,576
	<u>3,673</u>	<u>3,904</u>

30 June 2016 (reviewed)

**13 SEGMENT INFORMATION****Primary segment information**

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

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

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

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

	<i>30 June 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>
<b>Operating income</b>	<b>16,209</b>	<b>4,022</b>	<b>4,313</b>	<b>212</b>	<b>24,756</b>
<b>Segment result</b>	<b>7,109</b>	<b>2,639</b>	<b>1,175</b>	<b>(2,543)</b>	<b>8,380</b>
<b>Other Information</b>					
<b>Segment assets</b>	<b>692,320</b>	<b>619,012</b>	<b>218,868</b>	<b>155,135</b>	<b>1,685,335</b>
<b>Segment liabilities and equity</b>	<b>1,073,174</b>	<b>235,260</b>	<b>38,027</b>	<b>338,874</b>	<b>1,685,335</b>

Goodwill resulting from BMI acquisition is allocated to banking segment.

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

	<i>30 June 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>
<b>Operating income</b>	<b>15,357</b>	<b>3,362</b>	<b>4,913</b>	<b>367</b>	<b>23,999</b>
<b>Segment result</b>	<b>4,625</b>	<b>2,650</b>	<b>4,100</b>	<b>(2,341)</b>	<b>9,034</b>

**13 SEGMENT INFORMATION (continued)**

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.

**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.