

**Bahrain Islamic Bank B.S.C.**  
**CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL INFORMATION**

**30 September 2017**



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## **Independent auditors' report on review of condensed consolidated interim financial information**

The Board of Directors  
Bahrain Islamic Bank B.S.C.  
Manama  
Kingdom of Bahrain

### **Introduction**

We have reviewed the accompanying 30 September 2017 condensed consolidated interim financial information of Bahrain Islamic Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2017;
- the condensed consolidated statement of income for the three-month and nine-month period ended 30 September 2017;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of sources and uses of good faith qard fund for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2017; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the 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 Auditing standards for Islamic Financial Institutions and consequently 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 30 September 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

30 October 2017




# Bahrain Islamic Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 BD'000 (reviewed)	31 December 2016 BD'000 (audited)
	Note		
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		62,337	63,208
Placements with financial institutions		104,292	63,805
Financing assets	8	580,532	526,637
Investment securities	9	215,001	145,731
Ijarah Muntahia Bittamleek		165,895	151,752
Ijarah rental receivables		7,758	8,618
Investment in associates		23,989	26,487
Investment in real estate	10	28,304	28,276
Property and equipment		15,399	15,881
Other assets	11	14,427	11,793
<b>TOTAL ASSETS</b>		<b>1,217,934</b>	<b>1,042,188</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Placements from financial institutions		151,731	103,874
Syndicated financing		38,077	-
Customers' current accounts		152,662	152,647
Other liabilities	12	13,332	14,879
<b>Total Liabilities</b>		<b>355,802</b>	<b>271,400</b>
<b>Equity of Investment Accountholders</b>		<b>745,342</b>	<b>654,316</b>
<b>Owners' Equity</b>			
Share capital		101,339	101,339
Treasury shares		(864)	(563)
Shares under employee share incentive scheme		(498)	(604)
Share premium		98	56
Reserves		16,715	16,244
<b>Total Owners' Equity</b>		<b>116,790</b>	<b>116,472</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>1,217,934</b>	<b>1,042,188</b>

This condensed consolidated interim financial information, which consist of pages 2 to 14, were approved by the Board of Directors on 30 October 2017 and signed on its behalf by:

		
Dr. Esam Abdulla Fakhro Chairman	Brig. Ebrahim Abdulla Al Mahmood Vice Chairman	Hassan Amin Jarrar Chief Executive Officer

# Bahrain Islamic Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2017

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	BD'000	BD'000	BD'000	BD'000
	(reviewed)	(reviewed)	(reviewed)	(reviewed)
<b>INCOME</b>				
Income from financing	29,793	26,014	10,525	9,082
Income from investment in Sukuk	4,620	2,831	1,818	940
<b>Total income from jointly financed assets</b>	<b>34,413</b>	<b>28,845</b>	<b>12,343</b>	<b>10,022</b>
Return on equity of investment accountholders	(25,651)	(19,038)	(8,146)	(6,615)
Group's share as Mudarib	18,783	13,968	5,303	4,687
Net return on equity of investment accountholders	(6,868)	(5,070)	(2,843)	(1,928)
<b>Group's share of income from jointly financed assets (both as mudarib and investor)</b>	<b>27,545</b>	<b>23,775</b>	<b>9,500</b>	<b>8,094</b>
Expense on placements from financial institutions	(2,743)	(856)	(1,258)	(262)
Fee and commission income	5,809	4,831	1,929	1,747
Income from investment securities	513	717	21	9
Income from investment in real estate	293	(653)	80	288
Share of results of associates, net	(1,183)	(292)	99	74
Other income	2,380	1,048	1,608	(109)
<b>Total income</b>	<b>32,614</b>	<b>28,570</b>	<b>11,979</b>	<b>9,841</b>
<b>EXPENSES</b>				
Staff costs	10,013	8,932	3,188	2,953
Depreciation	1,160	1,138	395	382
Other expenses	8,452	8,265	3,300	2,968
<b>Total expenses</b>	<b>19,625</b>	<b>18,335</b>	<b>6,883</b>	<b>6,303</b>
<b>Profit before impairment allowances</b>	<b>12,989</b>	<b>10,235</b>	<b>5,096</b>	<b>3,538</b>
Impairment provision on financing assets, net	(4,204)	(1,947)	(2,404)	136
Impairment provision on investments, net	(3,340)	(4,008)	(525)	(2,474)
<b>PROFIT FOR THE PERIOD</b>	<b>5,445</b>	<b>4,280</b>	<b>2,167</b>	<b>1,200</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (fils)</b>	<b>5.44</b>	<b>4.28</b>	<b>2.17</b>	<b>1.20</b>

Dr. Esam Abdulla Fakhro  
Chairman

Brig. Ebrahim Abdulla Al Mahmood  
Vice Chairman

Hassan Jarrar  
Chief Executive Officer



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2017

	Nine months ended 30 September	
	2017	2016
	BD'000	BD'000
	(reviewed)	(reviewed)
<b>OPERATING ACTIVITIES</b>		
Profit for the period	5,445	4,280
Adjustments for non-cash items:		
Depreciation	1,160	1,138
Impairment provisions on financing, net	4,204	1,947
Impairment provisions on investments, net	3,340	4,008
Loss on sale of investment in associates	83	-
Loss on sale of investment in real estate	-	925
Gain on sale of investment securities	(3)	-
Amortization of gain on sale of investment in real estate	(14)	-
Share of results of associates, net	1,183	292
Operating profit before changes in operating assets and liabilities	15,398	12,590
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	(1,730)	(1,450)
Financing assets	(56,501)	(54,785)
Ijarah Muntahia Bittamleek	(14,882)	(19,717)
Other assets	(2,506)	1,639
Customers' current accounts	15	2,638
Other liabilities	(1,776)	7,268
Placements from financial institutions	47,857	1,826
Equity of investment account holders	91,026	36,415
<b>Net cash from / (used in) operating activities</b>	<b>76,901</b>	<b>(13,576)</b>
<b>INVESTING ACTIVITIES</b>		
Capitalized expenditure of investment in real estate	(28)	-
Disposal of investment in real estate	-	12,473
Disposal of investment in associates	1,348	-
Purchase of property and equipment	(678)	(553)
Purchase of investment securities	(76,463)	(27,259)
Proceeds from disposal of investment securities	3,851	30,009
<b>Net cash (used in) / from investing activities</b>	<b>(71,970)</b>	<b>14,670</b>
<b>FINANCING ACTIVITIES</b>		
Purchase of treasury shares	(301)	-
Syndicated financing	38,077	-
Dividends paid	(4,822)	(26)
<b>Net cash from / (used in) financing activities</b>	<b>32,954</b>	<b>(26)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<b>37,885</b>	<b>1,068</b>
Cash and cash equivalents at 1 January	90,736	100,199
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>128,621</b>	<b>101,267</b>
Cash and cash equivalents comprise of:		
Cash on hand	15,166	14,213
Balances with CBB, excluding mandatory reserve deposits	1,096	3,960
Balances with banks and other financial institutions excluding restricted balances	8,067	11,177
Placements with financial institutions with original maturities less than 90 days	104,292	71,917
	<b>128,621</b>	<b>101,267</b>

# Bahrain Islamic Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2017

	Shares under employee share incentive scheme			Reserves					Equity attributable to owners		Non-controlling interest	Total owners' equity
	Share capital	Treasury shares	Share premium	Statutory reserve	Real estate fair value reserve	Investment securities fair value reserve	Retained earnings	Total reserves	of the parent			
										BD'000		
2017 - reviewed												
Balance at 1 January 2017	101,339	(563)	(604)	56	5,361	531	8,389	16,244	116,472	-	116,472	
Profit for the period	-	-	-	-	-	-	5,445	5,445	5,445	-	5,445	
Dividends declared for 2016	-	-	-	-	-	-	(5,051)	(5,051)	(5,051)	-	(5,051)	
Zakah approved	-	-	-	-	-	-	(137)	(137)	(137)	-	(137)	
Purchase of Treasury Shares	-	(301)	-	-	-	-	-	-	(301)	-	(301)	
Shares allocated during the period	-	-	106	42	-	-	-	-	148	-	148	
Net movement in investment securities fair value reserve	-	-	-	-	-	214	-	214	214	-	214	
Balance at 30 September 2017	101,339	(864)	(498)	98	5,361	745	8,646	16,715	116,790	-	116,790	
2016 - reviewed												
Balance at 1 January 2016	97,441	(563)	(879)	2,794	7,085	621	1,892	10,719	109,512	-	109,512	
Profit for the period	-	-	-	-	-	-	4,280	4,280	4,280	-	4,280	
Bonus shares	3,898	-	(23)	(2,794)	-	-	(1,081)	(1,081)	-	-	-	
Shares allocated during the period	-	-	298	56	-	-	-	-	354	-	354	
Net movement in real estate fair value reserve	-	-	-	-	(291)	-	-	(291)	(291)	-	(291)	
Net movement in investment securities fair value reserve	-	-	-	-	-	7	-	7	7	-	7	
Balance at 30 September 2016	101,339	(563)	(604)	56	6,794	628	5,091	13,634	113,862	-	113,862	

# Bahrain Islamic Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF GOOD FAITH QARD FUND

For the nine months ended 30 September 2017

	<i>Qard Hasan receivables BD'000 (reviewed)</i>	<i>Funds available for Qard Hasan BD'000 (reviewed)</i>	<i>Total BD'000 (reviewed)</i>
Balance at 1 January 2017	<u>65</u>	<u>63</u>	<u>128</u>
Uses of Qard fund			
Marriage	13	(13)	-
Others (Waqf)	21	(21)	-
Total uses during the period	<u>34</u>	<u>(34)</u>	<u>-</u>
Repayments	<u>(23)</u>	<u>23</u>	<u>-</u>
<b>Balance at 30 September 2017</b>	<u><b>76</b></u>	<u><b>52</b></u>	<u><b>128</b></u>
Balance at 1 January 2016	<u>60</u>	<u>68</u>	<u>128</u>
Uses of Qard fund			
Marriage	3	(3)	-
Others (Waqf)	15	(15)	-
Total uses during the period	<u>18</u>	<u>(18)</u>	<u>-</u>
Repayments	<u>(12)</u>	<u>12</u>	<u>-</u>
<b>Balance at 30 September 2016</b>	<u><b>66</b></u>	<u><b>62</b></u>	<u><b>128</b></u>
<b>Sources of Qard fund</b>		<b>30 September 2017 BD'000 (reviewed)</b>	<b>30 September 2016 BD'000 (reviewed)</b>
Contribution by the Bank		125	125
Donation		3	3
		<u><b>128</b></u>	<u><b>128</b></u>

**Bahrain Islamic Bank B.S.C.**

**CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND**

For the nine months ended 30 September 2017

	<b>30 September 2017 BD'000 (reviewed)</b>	<b>30 September 2016 BD'000 (reviewed)</b>
<b>Sources of Zakah and charity funds</b>		
Undistributed Zakah and charity funds at the beginning of the period	222	472
Non-Islamic income / late payment fee	612	247
Donations	36	1
Total sources of Zakah and charity funds during the period	<b>870</b>	<b>720</b>
<b>Uses of Zakah and charity funds</b>		
Philanthropic societies	134	139
Aid to needy families	419	266
Total uses of funds during the period	<b>553</b>	<b>405</b>
<b>Undistributed zakah and charity funds at the end of the period</b>	<b>317</b>	<b>315</b>



**1 REPORTING ENTITY**

Bahrain Islamic Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain in 1979 by Amiri Decree No.2 of 1979 and registered with the Ministry of Industry and Commerce ("MOIC") under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank operates under an Islamic retail banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Bank is listed on the Bahrain Bourse.

The Bank's registered office is at Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain.

The Bank has nine branches (2016: nine), all operating in the Kingdom of Bahrain.

The consolidated financial statements include the results of the Bank and its subsidiaries (together the "Group").

**2 BASIS OF PREPARATION AND PRESENTATION**

The condensed consolidated interim financial information for the nine month period ended 30 September 2017 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed consolidated interim financial information does not contain all the information and disclosures required for full annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at 31 December 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last audited consolidated financial statements as at and for the year ended 31 December 2016.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2016.

**4 FINANCIAL RISK MANAGEMENT**

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2016.

**5 JUDGMENT AND ESTIMATES**

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same as applied to the consolidated financial statements as at and for the year ended 31 December 2016.

**6 COMPARATIVE INFORMATION**

The condensed interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the Group's audited consolidated financial statements for the year ended 31 December 2016 and comparatives for the condensed consolidated statements of income, changes in owner's equity, cash flows, sources and uses of Good Faith Qard Fund and sources and uses of Zakah and Charity Fund have been extracted from the Group's reviewed condensed consolidated interim financial information for the nine months ended 30 September 2016.

**7 SEASONALITY**

The Bank does not have significant income of seasonal nature.

**8 FINANCING ASSETS**

	<b>30 September 2017 BD'000 (Reviewed)</b>	<b>31 December 2016 BD'000 (Audited)</b>
Murabaha	549,951	488,856
Musharaka	145,965	110,263
<b>Gross financing assets</b>	<b>695,916</b>	<b>599,119</b>
Deferred profits	(89,186)	(45,781)
Provision for impairment	(26,198)	(26,701)
	<b>580,532</b>	<b>526,637</b>

## 9 INVESTMENT SECURITIES

	30 September 2017 BD'000 (Reviewed)	31 December 2016 BD'000 (Audited)
<b>i) Debt type instruments</b>		
<i>Quoted Sukuk - carried at amortised cost</i>		
Balance at beginning of the period	61,626	20,486
Acquisitions	36,966	41,254
Disposals and redemptions	(907)	(114)
<b>Balance at end of the period</b>	<b>97,685</b>	<b>61,626</b>
<i>Unquoted Sukuk - carried at amortised cost</i>		
Balance at beginning of the period	60,763	80,295
Acquisitions	39,497	10,427
Disposals and redemptions	(2,003)	(29,959)
Foreign currency translation changes	53	-
	<b>98,310</b>	<b>60,763</b>
Provision for impairment	(11,487)	(9,106)
<b>Balance at end of the period</b>	<b>86,823</b>	<b>51,657</b>
<b>ii) Equity type instruments</b>		
<i>Quoted shares - at fair value through equity</i>		
Balance at beginning of the period	2,392	2,392
Provision for impairment	(1,704)	(1,704)
Disposals	(688)	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>688</b>
<i>Unquoted shares - at cost less impairment</i>		
Balance at beginning of the period	24,963	24,963
Provision for impairment	(8,638)	(7,371)
<b>Balance at the end of the period</b>	<b>16,325</b>	<b>17,592</b>
<i>Unquoted managed funds - at cost less impairment</i>		
Balance at beginning of the period	14,168	14,444
Foreign currency translation changes	-	(36)
Write off	-	(240)
<b>Balance at the end of the period</b>	<b>14,168</b>	<b>14,168</b>
<b>Total net investment securities</b>	<b>215,001</b>	<b>145,731</b>

**10 INVESTMENT IN REAL ESTATE**

	<b>30 September 2017 BD'000 (Reviewed)</b>	<b>31 December 2016 BD'000 (Audited)</b>
Lands	26,015	25,987
Buildings	2,289	2,289
	<b>28,304</b>	<b>28,276</b>
	<b>30 September 2017 BD'000 (Reviewed)</b>	<b>31 December 2016 BD'000 (Audited)</b>
Beginning of the period	28,276	43,601
Capitalized expenditure	28	-
Disposal	-	(13,518)
Fair value changes	-	(1,807)
<b>End of the period</b>	<b>28,304</b>	<b>28,276</b>

Investment in real estate comprises properties located in the Kingdom of Bahrain and the United Arab Emirates.

**11 OTHER ASSETS**

	<b>30 September 2017 BD'000 (Reviewed)</b>	<b>31 December 2016 BD'000 (Audited)</b>
Repossessioned assets	6,643	6,916
Receivables	4,888	2,228
Staff advances	1,656	1,665
Prepaid expenses	1,201	945
Other	39	39
	<b>14,427</b>	<b>11,793</b>

**12 OTHER LIABILITIES**

	<b>30 September 2017 BD'000 (Reviewed)</b>	<b>31 December 2016 BD'000 (Audited)</b>
Managers' cheques	4,698	4,748
Accrued expenses	3,011	2,990
Payable to vendors	466	2,837
Life insurance (Takaful) fees payable	1,075	1,568
Dividends payable	1,005	776
Zakah and charity fund	317	222
Other	2,760	1,738
	<b>13,332</b>	<b>14,879</b>



For the nine months ended 30 September 2017

**13 COMMITMENTS AND CONTINGENT LIABILITIES****Credit related commitments**

These include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Letters of credit and guarantees commit the Group to make payments on behalf of customers.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	<b>30 September 2017 BD'000 (Reviewed)</b>	<b>31 December 2016 BD'000 (Audited)</b>
Letters of credit and acceptances	6,796	6,182
Guarantees	74,384	43,966
Credit Card	29,572	26,103
Operating lease commitments *	196	356
	<b>110,948</b>	<b>76,607</b>

\* The Group has entered into commercial leases for certain branches. These leases have an average life of between 1 month and 3 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

**14 RELATED PARTY TRANSACTIONS**

Related parties comprise of 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 and transactions with related parties at 30 September 2017 were as follows:

	<b>30 September 2017 (Reviewed)</b>				
	<b>Shareholders BD'000</b>	<b>Associates and joint ventures BD'000</b>	<b>Directors and related entities BD'000</b>	<b>Senior management BD'000</b>	<b>Total BD'000</b>
<b>Assets</b>					
Financing assets	-	-	1,605	-	1,605
Investment in associates	-	23,989	-	-	23,989
Other assets	-	-	-	341	341
<b>Liabilities and Equity of investment accountholders</b>					
Customers' current accounts	-	65	297	91	453
Other liabilities	-	-	392	-	392
Equity of investment accountholders	47,089	-	1,946	920	49,955
	<b>30 September 2017 (Reviewed)</b>				
	<b>Shareholders BD'000</b>	<b>Associates and joint ventures BD'000</b>	<b>Directors and related entities BD'000</b>	<b>Senior management BD'000</b>	<b>Total BD'000</b>
<b>Income</b>					
Income from financing	-	-	69	-	69
Share of results of associates, net	-	(1,366)	-	-	(1,366)
Return on equity of investment accountholders	(1,143)	-	(18)	-	(1,161)
Expense on placements from financial institutions	609	-	-	-	609
<b>Expenses</b>					
Staff costs	-	-	-	(1,072)	(1,072)
Other expenses	-	-	(390)	-	(390)



## 14 RELATED PARTY TRANSACTIONS (continued)

	31 December 2016 (Audited)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Assets</b>					
Financing assets	-	-	1,615	-	1,615
Investment in associates	-	26,487	-	-	26,487
Other assets	-	-	-	402	402
<b>Liabilities and Equity of Investment accountholders</b>					
Customers' current accounts	-	1,719	431	152	2,302
Other liabilities	-	1,568	360	-	1,928
Equity of investment accountholders	65,656	602	1,218	1,142	68,618
	30 September 2016 (Reviewed)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Income</b>					
Income from financing	-	-	70	-	70
Share of results of associates, net	-	(292)	-	-	(292)
Return on equity of investment accountholders	(573)	(3)	(12)	(25)	(613)
Expense on placements from financial institutions	(304)	-	-	-	(304)
<b>Expenses</b>					
Staff costs	-	-	-	(1,092)	(1,092)
Other expenses	-	-	(533)	-	(533)

Compensation of the key management personnel is as follows:

	Nine months ended 30 September	
	2017 BD'000	2016 BD'000
Short term employee benefits	875	923
Other long term benefits	197	169
	<b>1,072</b>	<b>1,092</b>

## 15 FINANCIAL INSTRUMENTS

**Fair value hierarchy**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities/sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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 which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

For the nine months ended 30 September 2017

**15 FINANCIAL INSTRUMENTS (continued)**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 September 2017:

	<i>Level 1 BD'000</i>	<i>Level 2 BD'000</i>	<i>Level 3 BD'000</i>	<i>Total BD'000</i>
<b>Investments carried at fair value through equity</b>				
Quoted equity securities	-	-	-	-
31 December 2016	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Investments carried at fair value through equity</b>				
Quoted equity securities	688	-	-	688

**Transfers between Level 1, Level 2 and Level 3**

During the nine-months period ended 30 September 2017 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

Fair values of quoted securities/sukuk are derived from quoted market prices in active markets, if available. In case of financing assets the average profit rate of the portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the current value would not be materially different from fair value of these assets. Other than equity investments and managed funds carried at cost of BD 30,493 thousand (2016 BD 31,760 thousand), the estimated fair value of the Bank's other financial instruments are not significantly different from their carrying values due to their short-term nature.

**16 SEGMENTAL INFORMATION**

For management purposes, the Group is organised into three major business segments;

Corporate	Principally handling equity of corporate investment accountholders', corporate current accounts, and providing Islamic financing facilities to corporate customers.
Retail	Principally handling equity of individual retail customers' investment accountholders', retail current accounts, and providing Islamic financing facilities to individual customers.
Investment	Principally handling equity of banks' and financial institutions' investment accountholders, providing money market, trading and treasury services as well as the management of the Group's investment activities. Investment activities involve handling investments in local and international markets and investment in properties.

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.

**16 SEGMENTAL INFORMATION (continued)**

Segment information is disclosed as follows:

<i>For the nine months ended 30 September 2017 (Reviewed)</i>				
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Total income	9,159	20,645	2,810	32,614
Total expenses	(3,531)	(13,710)	(2,384)	(19,625)
Provision for impairment	(4,691)	487	(3,340)	(7,544)
<b>Profit / (loss) for the period</b>	<b>937</b>	<b>7,422</b>	<b>(2,914)</b>	<b>5,445</b>
<b>Other information</b>				
<i>30 September 2017 (Reviewed)</i>				
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Segment assets	334,970	465,123	417,841	1,217,934
Segment liabilities, and equity	387,037	518,524	312,373	1,217,934
<i>For the nine months ended 30 September 2016 (Reviewed)</i>				
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Total income	6,805	20,853	912	28,570
Total expenses	(2,434)	(13,335)	(2,566)	(18,335)
Provision for impairment	(676)	(1,271)	(4,008)	(5,955)
<b>Profit / (loss) for the period</b>	<b>3,695</b>	<b>6,247</b>	<b>(5,662)</b>	<b>4,280</b>
<b>Other information</b>				
<i>31 December 2016 (Audited)</i>				
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Segment assets	277,177	452,746	312,265	1,042,188
Segment liabilities, and equity	304,460	512,642	225,086	1,042,188

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

**17 COMPARATIVES**

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported profit for the period or total equity.