

Bahrain Islamic Bank B.S.C.
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2016



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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

6 November 2016

Introduction

We have reviewed the accompanying 30 September 2016 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 2016;
- the condensed consolidated statement of income for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of sources and uses of good faith qard fund for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2016; 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 2016 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.

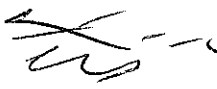
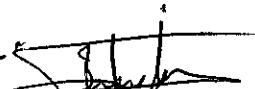
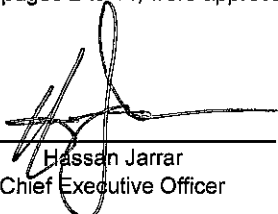
Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Note	30 September 2016 BD'000 (reviewed)	31 December 2015 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		64,865	61,114
Placements with financial institutions		71,917	73,150
Financing assets	6	528,929	475,648
Investment securities	7	123,870	130,635
Ijarah Muntahia Bittamleek		137,540	118,061
Ijarah rental receivables		15,692	15,692
Investment in associates		27,830	28,116
Investment in real estate	8	29,999	43,601
Property and equipment		16,055	16,640
Other assets	9	12,122	13,691
TOTAL ASSETS		1,028,819	976,348
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		95,342	93,516
Customers' current accounts		159,938	157,300
Other liabilities	10	23,858	16,616
Total Liabilities		279,138	267,432
Equity of Investment Accountholders		635,819	599,404
Owners' Equity			
Share capital		101,339	97,441
Treasury shares		(563)	(563)
Shares under employee share incentive scheme		(604)	(879)
Share premium		56	2,794
Reserves		13,634	10,719
Total Owners' Equity		113,862	109,512
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		1,028,819	976,348

This condensed consolidated interim financial information, which consist of pages 2 to 14, were approved by the Board of Directors on 6 November 2016 and signed on its behalf by:

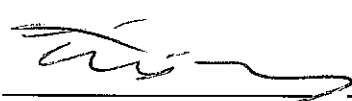
		
Dr. Esam Fakhro Chairman	Khalid Al Mannai Vice Chairman	Hassan Jarrar Chief Executive Officer

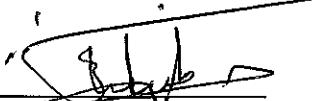
Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2016

	Nine months ended 30 September		Three months ended 30 September	
	2016 BD'000 (reviewed)	2015 BD'000 (reviewed)	2016 BD'000 (reviewed)	2015 BD'000 (reviewed)
INCOME				
Income from financing	26,014	25,205	9,082	8,801
Income from investment in Sukuk	2,831	2,727	940	911
Total income from jointly financed assets	28,845	27,932	10,022	9,712
Return on equity of investment accountholders	(19,038)	(20,313)	(6,615)	(6,949)
Group's share as Mudarib	13,968	16,395	4,687	5,638
Net return on equity of investment accountholders	(5,070)	(3,918)	(1,928)	(1,311)
Group's share of income from jointly financed assets (both as mudarib and investor)	23,775	24,014	8,094	8,401
Expense on placements from financial institutions	(856)	(331)	(262)	(198)
Fee and commission income	4,831	4,469	1,747	1,579
Income from investment securities	717	762	9	68
Income from investment in real estate	(653)	1,306	288	235
Share of results of associates, net	(292)	(799)	74	95
Other income	1,048	2,008	(109)	273
Total income	28,570	31,429	9,841	10,453
EXPENSES				
Staff costs	8,932	7,390	2,953	2,651
Depreciation	1,138	1,171	382	386
Other expenses	8,265	7,032	2,968	2,401
Total expenses	18,335	15,593	6,303	5,438
Profit before impairment allowances	10,235	15,836	3,538	5,015
(Impairment charge) / write back of provision on financing assets	(1,947)	(6,292)	136	(2,545)
Impairment charge on investments	(4,008)	(974)	(2,474)	(2,096)
PROFIT FOR THE PERIOD	4,280	8,570	1,200	374
BASIC AND DILUTED EARNINGS PER SHARE (fills)	4.28	10.33	1.20	0.45


Dr. Esam Fakhro
Chairman


Khalid Al Mannai
Vice Chairman


Hassan Jarrar
Chief Executive Officer

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2016

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2016	2015
	BD'000	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	4,280	8,570
Adjustments for non-cash items:		
Depreciation	1,138	1,171
Impairment on investment in real estate	-	144
Impairment provision on financing assets	1,947	6,292
Impairment charge / (write back) of provision on investments	4,008	974
Gain on sale of investment in Sukuk	-	(11)
Loss / (gain) on sale of investment in real estate	925	(1,175)
Share of results of associates	292	799
Other income	-	(71)
Gain on foreign exchange revaluation	-	(1,785)
Operating profit before changes in operating assets and liabilities	12,590	14,908
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	(1,450)	(3,115)
Financing assets	(54,785)	(62,536)
Ijarah Muntahia Bittamleek	(19,717)	(13,920)
Other assets	1,639	(4,906)
Customers' current accounts	2,638	(3,656)
Other liabilities	7,268	570
Placements from financial institutions	1,826	11,412
Customers' investment accounts	36,415	17,742
Net cash used in operating activities	(13,576)	(43,501)
INVESTING ACTIVITIES		
Disposal of investment in real estate	12,473	11,868
Purchase of property and equipment	(553)	(756)
Purchase of investment securities	(27,259)	(52,899)
Proceeds from disposal of investment securities	30,009	38,266
Net cash from / (used in) investing activities	14,670	(3,521)
FINANCING ACTIVITIES		
Dividends paid	(26)	-
Net cash used in financing activities	(26)	-
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,068	(47,022)
Cash and cash equivalents at 1 January	100,199	89,630
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	101,267	42,608
Cash and cash equivalents comprise of:		
Cash on hand	14,213	13,167
Balances with CBB, excluding mandatory reserve deposits	3,960	91
Balances with banks and other financial institutions	11,177	9,834
Placements with financial institutions with original maturities less than 90 days	71,917	19,516
	101,267	42,608

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2016

	Shares under employee share incentive scheme			Reserves					Equity attributable to owners			Total owners' equity BD'000	
	Share capital BD'000	Treasury shares BD'000	Shares under employee share incentive scheme BD'000	Share premium BD'000	Statutory reserve BD'000	General reserve BD'000	Real estate fair value reserve BD'000	Investments fair value reserve BD'000	Retained earnings BD'000	Total reserves BD'000	of the parent BD'000		Non-controlling interest BD'000
2016 - reviewed													
Balance at 1 January 2016	97,441	(563)	(879)	2,794	1,121	-	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 investments fair value reserve	-	-	-	-	-	-	-	7	-	7	7	-	7
Balance at 30 September 2016	101,339	(563)	(604)	56	1,121	-	6,794	628	5,091	13,634	113,862	-	113,862
2015 - reviewed													
Balance at 1 January 2015	93,967	(563)	-	-	11,809	1,000	7,361	1,101	(35,591)	(14,320)	79,084	11	79,095
Profit for the period	-	-	-	-	-	-	-	-	8,570	8,570	8,570	-	8,570
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(435)	-	(435)	(435)	-	(435)
Net movement in real estate fair value reserve	-	-	-	-	-	-	(274)	-	-	(274)	(274)	-	(274)
Shares issued during the period	940	-	(940)	-	-	-	-	-	-	-	-	-	-
Shares allocated during the period	-	-	61	30	-	-	-	-	-	-	91	-	91
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Balance at 30 September 2015	94,907	(563)	(879)	30	11,809	1,000	7,087	666	(27,021)	(6,459)	87,036	-	87,036

The accompanying notes 1 to 15 form part of this condensed consolidated interim financial information.

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 2016

	<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 2016	60	68	128
Uses of Qard fund			
Marriage	3	(3)	-
Others (Waqf)	15	(15)	-
Total uses during the period	18	(18)	-
Repayments	(12)	12	-
Balance at 30 September 2016	66	62	128
Balance at 1 January 2015	80	48	128
Uses of Qard fund			
Marriage	9	(9)	-
Others (Waqf)	9	(9)	-
Total uses during the period	18	(18)	-
Repayments	(36)	36	-
Balance at 30 September 2015	62	66	128
		30 September 2016 BD'000 (reviewed)	30 September 2015 BD'000 (reviewed)
Sources of Qard fund			
Contribution by the Bank		125	125
Donation		3	3
		128	128

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 2016

	30 September 2016 BD'000 (reviewed)	30 September 2015 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	472	282
Non-Islamic income / late payment fee	247	593
Donations	1	19
Total sources of Zakah and charity funds during the period	<u>720</u>	<u>894</u>
Uses of Zakah and charity funds		
Philanthropic societies	139	105
Aid to needy families	266	262
Total uses of funds during the period	<u>405</u>	<u>367</u>
Undistributed zakah and charity funds at the end of the period	<u>315</u>	<u>527</u>

Bahrain Islamic Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2016

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 is licensed and regulated by the Central Bank of Bahrain ("CBB") and has a retail banking license. 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 ten branches (2015: ten), all operating in the Kingdom of Bahrain.

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

The Bank holds 100% of the share capital of Abaad Real Estate Company B.S.C. (c). Abaad was incorporated in the Kingdom of Bahrain on 8 April 2003 with an authorised and fully paid-up share capital of BD 25 million. Abaad has started operations during the year 2007. The main activity of Abaad is the investment in real estate (in accordance with the Islamic Shari'a rules and principles).

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information for the nine month period ended 30 September 2016 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 do not contain all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2015.

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 2015.

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 2015.

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 2015.

6 FINANCING ASSETS

	<i>Jointly financed</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>
	<i>BD'000</i>	<i>BD'000</i>
Murabaha	489,001	442,974
Musharaka	145,288	139,278
Gross financing assets	634,289	582,252
Deferred profits	(78,956)	(79,323)
Provision for impairment	(26,404)	(27,281)
	528,929	475,648

Bahrain Islamic Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2016

7 INVESTMENT SECURITIES

	30 September 2016			31 December 2015		
	Self	Jointly	Total	Self	Jointly	Total
	financed	financed		financed	financed	
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
i) Debt type instruments						
<i>Sukuk - carried at amortised cost</i>						
At 1 January	-	100,781	100,781	-	85,808	85,808
Acquisitions	-	27,259	27,259	-	52,546	52,546
Disposals and redemptions	-	(29,996)	(29,996)	-	(37,573)	(37,573)
At 30 September	-	98,044	98,044	-	100,781	100,781
Provision for impairment	-	(6,577)	(6,577)	-	(4,914)	(4,914)
Total net Sukuk	-	91,467	91,467	-	95,867	95,867
ii) Equity type instruments						
<i>Quoted shares - at fair value through equity</i>						
At 1 January	1,019	-	1,019	1,393	-	1,393
Fair value change	(374)	-	(374)	(374)	-	(374)
Disposals	-	-	-	-	-	-
Write off	-	-	-	-	-	-
Total net	645	-	645	1,019	-	1,019
<i>Unquoted shares - at cost less impairment</i>						
At 1 January	24,963	-	24,963	29,201	-	29,201
Disposals	-	-	-	-	-	-
Write off	-	-	-	(4,238)	-	(4,238)
At 30 September	24,963	-	24,963	24,963	-	24,963
Provision for impairment	(7,371)	-	(7,371)	(5,418)	-	(5,418)
Total net	17,592	-	17,592	19,545	-	19,545
<i>Unquoted managed funds - at cost less impairment</i>						
At 1 January	14,444	-	14,444	36,541	-	36,541
Foreign currency translation changes	(13)	-	(13)	(301)	-	(301)
Disposals	-	-	-	(5,809)	-	(5,809)
Write off	-	-	-	(15,987)	-	(15,987)
At 30 September	14,431	-	14,431	14,444	-	14,444
Provision for impairment	(265)	-	(265)	(240)	-	(240)
Total net	14,166	-	14,166	14,204	-	14,204
Total net investment securities	32,403	91,467	123,870	34,768	95,867	130,635

Bahrain Islamic Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2016

8 INVESTMENT IN REAL ESTATE

	<i>Self financed</i>	
	30 September 2016	31 December 2015
	BD'000	BD'000
Lands	27,404	41,006
Buildings	2,595	2,595
	29,999	43,601

Movement in Investment in real estate:

	30 September 2016	31 December 2015
	BD'000	BD'000
At 1 January	43,601	53,934
Capitalized expenditure	-	1,092
Disposal	(13,602)	(11,086)
Fair value changes	-	(339)
Balance at the end of period	29,999	43,601

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

9 OTHER ASSETS

	30 September 2016	31 December 2015
	BD'000	BD'000
Reposessed assets	6,916	5,245
Receivables	1,995	4,761
Staff advances	1,592	1,324
Prepaid expenses	756	696
Other	863	1,665
	12,122	13,691

10 OTHER LIABILITIES

	30 September 2016	31 December 2015
	BD'000	BD'000
Managers' cheques	9,201	3,786
Accrued expenses	3,616	3,312
Payable to vendors	2,558	1,626
Life insurance (Takaful) fees payable	1,622	1,844
Dividends payable	776	802
Zakah and charity fund	315	472
Other	5,770	4,774
	23,858	16,616

Bahrain Islamic Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2016

11 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:

	30 September 2016	<i>31 December 2015</i>
	BD'000	<i>BD'000</i>
Letters of credit and acceptances	3,577	2,918
Guarantees	42,321	40,971
Operating lease commitments *	1,139	1,238
	47,037	45,127

* 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.

12 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 were as follows:

	2016				
	<i>Shareholders</i>	<i>Associates and joint ventures</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Assets					
Financing assets	-	-	1,738	-	1,738
Investment in associates	-	27,830	-	-	27,830
Other assets	-	-	-	309	309
Liabilities and Equity of investment accountholders					
Placements from financial institutions	-	-	-	-	-
Customers' current accounts	-	799	444	49	1,292
Other liabilities	-	1,622	386	-	2,008
Equity of investment accountholders	58,071	600	1,478	1,031	61,180
	2016				
	<i>Shareholders</i>	<i>Associates and joint ventures</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Income					
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)
Expenses					
Staff costs	-	-	-	(1,092)	(1,092)
Other expenses	-	-	(533)	-	(533)

Bahrain Islamic Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2016

12 RELATED PARTY TRANSACTIONS (continued)

	31 December 2015				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Financing assets	-	-	2,074	17	2,091
Investment in associates	-	28,116	-	-	28,116
Other assets	-	-	-	201	201
Liabilities and Equity of investment accountholders					
Placements from financial institutions	37,700	-	-	-	37,700
Customers' current accounts	-	968	520	247	1,735
Other liabilities	-	1,844	64	-	1,908
Equity of investment accountholders	41,567	275	1,255	917	44,014
30 September 2015					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing	-	-	117	1	118
Share of results of associates, net	-	(799)	-	-	(799)
Return on equity of investment accountholders	(441)	(1)	(1)	(19)	(462)
Expenses					
Staff costs	-	-	-	(684)	(684)
Other expenses	-	-	(555)	-	(555)

Compensation of the key management personnel is as follows:

	Nine months ended 30 September	
	2016 BD'000	2015 BD'000
Short term employee benefits	923	571
Other long term benefits	169	113
	1,092	684

13 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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13 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 2016:

	<i>Level 1</i> <i>BD'000</i>	<i>Level 2</i> <i>BD'000</i>	<i>Level 3</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
Investments carried at fair value through equity				
Quoted equity securities	<u>645</u>	<u>-</u>	<u>-</u>	<u>645</u>
31 December 2015				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments carried at fair value through equity				
Quoted equity securities	<u>1,019</u>	<u>-</u>	<u>-</u>	<u>1,019</u>

Transfers between Level 1, Level 2 and Level 3

During the nine-month period ended 30 September 2016 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.

The carrying values of other financial assets and liabilities are not significantly different from their fair values at 30 September 2016, except for the Group's investments in Sukuk held at amortised cost amounting to BD 91,467 thousand (2015: BD 95,867 thousand) with fair values amounting to BD 92,441 thousand (2015: BD 95,915 thousand).

14 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2016

14 SEGMENTAL INFORMATION (continued)

Segment information is disclosed as follows:

	<i>For the nine months ended 30 September 2016</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total 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)
Profit / (loss) for the period	3,695	6,247	(5,662)	4,280

Other information

	<i>30 September 2016</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	279,787	449,574	299,458	1,028,819
Segment liabilities, and equity	300,911	512,542	215,366	1,028,819

	<i>For the nine months ended 30 September 2015</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total income	8,379	19,132	3,918	31,429
Total expenses	(2,572)	(11,207)	(1,814)	(15,593)
(Provision for impairment) / write back	(6,100)	(192)	(974)	(7,266)
Profit / (loss) for the period	(293)	7,733	1,130	8,570

Other information

	<i>31 December 2015</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	239,128	416,251	320,969	976,348
Segment liabilities, and equity	277,850	490,128	208,370	976,348

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

15 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.