

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
Al Baraka Islamic Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2017 (REVIEWED)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF AL BARAKA ISLAMIC BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiary ("the Group") as of 30 June 2017, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders 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 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 International Standards on Auditing 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



8 August 2017
Manama, Kingdom of Bahrain

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (Reviewed)

	Notes	30 June 2017 BD '000	Audited 31 December 2016 BD '000
ASSETS			
Cash and balances with banks and financial institutions		92,927	105,791
Receivables		307,432	279,953
Mudaraba financing		-	293
Ijara Muntahia Bittamleek		103,838	105,473
Musharaka		120,590	119,405
Investments	3	193,878	206,936
Investments in real estate		2,252	2,252
Ijara income receivables		14,006	11,537
Investment in joint venture		5,502	5,495
Premises and equipment		12,238	11,319
Goodwill		10,599	10,623
Other assets	4	43,234	40,161
TOTAL ASSETS		906,496	899,238
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		22,247	22,045
Current accounts		133,919	110,577
Medium term financing		38,590	34,149
Other liabilities	5	40,226	34,488
Total liabilities		234,982	201,259
Equity of investment accountholders		577,758	602,539
Subordinated debts	6	16,637	17,522
Owners' Equity			
Share capital		46,167	46,167
Reserves		8,958	9,483
Retained earnings		6,324	5,836
Equity attributable to parent's shareholders		61,449	61,486
Non-controlling interest		15,670	16,432
Total owners' equity		77,119	77,918
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY		906,496	899,238
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		27,494	28,648
CONTINGENCIES AND COMMITMENTS	7	117,430	105,324


Khalid Rashid Al-Zayani
Chairman


Adnan Ahmed Yousif
Deputy Chairman


Mohammed Isa Al Mutaweh
Chief Executive Officer & Board Member

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

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months period ended 30 June 2017 (Reviewed)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 BD '000	2016 BD '000	2017 BD '000	2016 BD '000
INCOME					
Income from jointly financed sales		3,893	3,136	7,446	5,984
Income from jointly financed, other financings and investments	8	4,599	3,505	9,843	6,995
Income from jointly financed assets		8,492	6,641	17,289	12,979
Return on equity of investment accountholders before Group's share as a Mudarib		(6,891)	(5,359)	(13,742)	(10,476)
Group's share as a Mudarib		1,772	1,442	3,709	2,950
Return on equity of investment accountholders		(5,119)	(3,917)	(10,033)	(7,526)
Group's share as a Mudarib and Rabaimal		3,373	2,724	7,256	5,453
Group's income from self financed sales		49	180	155	291
Group's income from self financed, other financings and investments	8	2,374	1,228	4,702	2,406
Revenue from banking services	9	977	1,432	2,067	2,489
Other income	10	320	270	672	612
Group's Mudarib/Agency fee from off-balance sheet equity of investment account holders		4	6	12	15
TOTAL OPERATING INCOME		7,097	5,838	14,864	11,266
OPERATING EXPENSES					
Staff expenses		(3,287)	(2,853)	(6,800)	(5,509)
Depreciation		(438)	(279)	(858)	(562)
Other operating expenses		(3,415)	(2,293)	(6,813)	(4,457)
TOTAL OPERATING EXPENSES		(7,140)	(5,425)	(14,271)	(10,528)
NET OPERATING (LOSS) / INCOME		(43)	413	593	738
Reversal of / (provision for) impairment - net	11	345	(671)	(148)	(499)
NET INCOME / (LOSS) BEFORE TAXATION		302	(258)	445	239
Taxation		(105)	267	(102)	250
INCOME FOR THE PERIOD		197	9	343	489
Attributable to:					
Equity shareholders of the Parent		84	219	208	668
Non-controlling interest		113	(210)	135	(179)
		197	9	343	489

Khalid Rashid Al-Zayani
Chairman

Adnan Ahmed Yousif
Deputy Chairman

Mohammed Issa Al Mutawah
Chief Executive Officer & Board Member

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

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2017 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
OPERATING ACTIVITIES		
Net income before taxation	445	239
Adjustments for :		
Depreciation	858	562
Provision for impairment - net	148	499
Gain on sale of premises and equipment	(11)	(5)
Gain on sale of investments	(1,355)	(110)
Dividend income	(69)	(32)
Share of loss from investment in joint venture	(8)	-
Operating profit before changes in operating assets and liabilities	<u>8</u>	<u>1,153</u>
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	32,804	10,782
Receivables	(13,330)	7,598
Mudaraba financing	293	-
Ijara Muntahia Bittamleek	1,635	(4,472)
Musharaka	(1,212)	(3,095)
Ijara income receivables	(2,507)	(1,216)
Other assets	(3,076)	(3,088)
Other liabilities	5,753	1,299
Due to banks and financial institutions	202	(5,126)
Current accounts	23,342	7,135
Equity of investment accountholders	(24,781)	6,045
Tax paid	(103)	(152)
Net cash from operating activities	<u>19,028</u>	<u>16,863</u>
INVESTING ACTIVITIES		
Purchase of investments	(76,018)	(21,128)
Sale of investments	89,829	10,252
Acquisition of shares in subsidiary from minority shareholders	(580)	-
Dividend received	73	32
Net purchase of premises and equipment	(1,766)	(439)
Net cash from / (used in) investing activities	<u>11,538</u>	<u>(11,283)</u>
FINANCING ACTIVITIES		
Subordinated debts	(885)	9,123
Medium term financing	4,441	1,663
Net cash from financing activities	<u>3,556</u>	<u>10,786</u>
Foreign currency translation adjustments	(81)	(25)
INCREASE IN CASH AND CASH EQUIVALENTS	34,041	16,341
Cash and cash equivalents at 1 January	<u>119,567</u>	<u>103,424</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>153,608</u>	<u>119,765</u>
For the purpose of the interim cash flows statement, cash and cash equivalents comprise the following:		
Cash in hand	18,686	11,585
Balances with central banks in unrestricted account	5,948	7,720
Balances with other banks and financial institutions	34,595	36,281
Receivables - international commodities	94,379	64,179
	<u>153,608</u>	<u>119,765</u>

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

Al Baraka Islamic Bank B.S.C. (c)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the six months period ended 30 June 2017 (Reviewed)

	Equity attributable to shareholders of the Parent										
	Reserves										
	Share capital BD '000	Statutory BD '000	General BD '000	Employee defined benefit plan BD '000	Cumulative changes in fair value BD '000	Revaluation of premises and equipment BD '000	Foreign exchange BD '000	Retained earnings BD '000	Total BD '000	Non-controlling interest BD '000	Total owners' equity BD '000
Balance at 1 January 2017	46,167	8,557	3,275	(43)	756	450	(3,512)	5,836	61,486	16,432	77,918
Cumulative changes in fair value	-	-	-	-	(271)	-	-	-	(271)	(201)	(472)
Foreign currency translation reserve	-	-	-	-	-	-	(66)	-	(66)	(39)	(105)
Remeasurement gains on defined benefit plan	-	-	-	9	-	-	-	-	9	6	15
Effects of changes in controlling interest in lieu of acquisition - net	-	-	-	(1)	15	-	(211)	280	83	(663)	(580)
Net income for the period	-	-	-	-	-	-	-	208	208	135	343
Balance at 30 June 2017	46,167	8,557	3,275	(35)	500	450	(3,789)	6,324	61,449	15,670	77,119
Balance at 1 January 2016	46,167	8,474	3,275	(65)	(46)	450	(4,444)	4,873	58,684	6,910	65,594
Cumulative changes in fair value	-	-	-	-	(58)	-	-	-	(58)	(31)	(89)
Foreign currency translation reserve	-	-	-	-	-	-	(22)	-	(22)	(9)	(31)
Remeasurement gains on defined benefit plan	-	-	-	5	-	-	-	-	5	3	8
Net Income / (loss) for the period	-	-	-	-	-	-	-	668	668	(179)	489
Balance at 30 June 2016	46,167	8,474	3,275	(60)	(104)	450	(4,466)	5,541	59,277	6,694	65,971

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

Al Baraka Islamic Bank B.S.C. (c)**INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS**

For the six months period ended 30 June 2017 (Reviewed)

	<i>Balance at 1 January 2017 BD '000</i>	<i>Net Withdrawals/ Deposits BD '000</i>	<i>Gross income BD '000</i>	<i>Mudarib's/ agency fee BD '000</i>	<i>Balance at 30 June 2017 BD '000</i>
Receivables	25,103	(1,457)	272	(12)	23,906
Investments	3,546	42	-	-	3,588
	28,649	(1,415)	272	(12)	27,494

	<i>Balance at 1 January 2016 BD '000</i>	<i>Net Withdrawals/ Deposits BD '000</i>	<i>Gross income BD '000</i>	<i>Mudarib's/ agency fee BD '000</i>	<i>Balance at 30 June 2016 BD '000</i>
Receivables	35,693	(5,665)	335	(15)	30,348
Investments	3,567	8	-	-	3,575
	39,260	(5,657)	335	(15)	33,923

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

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITY

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Banking licence number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has eight commercial branches in the Kingdom of Bahrain. The Bank is 91% owned by Al Baraka Banking Group ("Ultimate Parent").

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha finance, Ijara and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

These interim condensed consolidated financial statements were approved by the Board of Directors on 8 August 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six month period ended 30 June 2017 have been prepared in accordance with the guidance given by International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. In addition, results for the six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

2.2 Accounting convention

The interim condensed consolidated financial statements are prepared on historical cost basis, except for investment in real estate, equity-type instruments through equity, equity-type instruments through P&L and land owned by the Bank (classified as premises and equipment) that have been measured at fair value.

The interim condensed consolidated financial statements are presented in Bahraini Dinar, being the reporting currency of the Group. All values are rounded off to the nearest Bahraini Dinar (BD) thousand unless otherwise indicated.

2.3 Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiary after elimination of inter company transactions and balances.

The following is the principle subsidiary of the Bank, which is consolidated in these interim consolidated financial statements:

	<i>Ownership for 2017 / 2016</i>	<i>Year of Incorporation</i>	<i>Country of Incorporation</i>	<i>No. of branches/ offices at 30 June 2017</i>
<i>Held directly by the Bank</i>				
Al Baraka Bank (Pakistan) Limited*	59.13% / 57.40%**	2004	Pakistan	189

*Al Baraka Bank (Pakistan) Limited became a subsidiary on 21 December 2010.

** During the year, the Group purchased 23.796 million shares with net asset value of BD 0.663 million from minority shareholders of Al Baraka Bank Pakistan Limited for a purchase consideration of BD 0.580 million. The acquisition has resulted to a bargain purchased gain of BD 82.56 thousand and the shareholding has increased from 57.40% to 59.13% effectively from 30 June 2017.

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

Investment in Itqan Capital

The Bank has ownership interest of 83.07% with Itqan Capital (the "Company"). The Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of the Company to the Ultimate Parent. The Bank has authorised the Ultimate Parent to represent it in the shareholders' meetings and to exercise control on the Company to do any or all acts and deeds and exercise all powers of the Bank pursuant to the Charter Document referred in the management agreement and or under any applicable laws.

The financial statements of the Company are not consolidated as it is controlled by the Ultimate Parent pursuant to the terms of the management agreement. The Ultimate Parent consolidates the financial statements of the Company in its consolidated financial statements which are prepared in accordance with AAOIFI standards and the same was approved by the CBB.

The investment acquired is initially recognised at cost, being the fair value of consideration given including acquisition charges associated with the investment. Subsequently, the investment is carried at cost less impairment losses, if any.

2.4 New standards, interpretations and amendments adopted by the Group

These interim condensed consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016. There have been no new standards, interpretations and amendments issued during the period.

3 INVESTMENTS

	30 June 2017			Audited 31 December 2016		
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000
i) Equity-type instruments at fair value through statement of income						
Quoted						
Listed equity						
shares	-	105	105	-	-	-
	-	105	105	-	-	-
ii) Debt-type instruments at amortised cost						
Quoted						
Sukuk	30,056	35,359	65,415	27,434	39,149	66,583
Unquoted						
Sukuk	82,163	12,344	94,507	77,202	31,246	108,448
	112,219	47,703	159,922	104,636	70,395	175,031
iii) Equity-type instruments at fair value through equity						
Quoted						
Listed equity						
shares	4,721	185	4,906	3,194	159	3,353
Unquoted						
Unlisted equity shares	22,752	188	22,940	22,752	188	22,940
Managed funds	377	1,885	2,262	377	1,885	2,262
Real estate funds	2,879	2,161	5,040	1,748	2,761	4,509
	30,729	4,419	35,148	28,071	4,993	33,064
Less: Provision for impairment	(1,081)	(216)	(1,297)	(987)	(172)	(1,159)
Total Investments	141,867	52,011	193,878	131,720	75,216	206,936

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

3 INVESTMENTS (continued)

Included in quoted equity type instruments, BD 4.8 million (2016: BD 3.3 million) of investments are fair valued using quoted prices in active markets.

Within unquoted investments which are held at fair value through equity are investments amounting to BD 29.7 million (2016: BD 29.2 million) which are held at cost less provision for impairment. These are mainly investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

The Group's investments in sukuk held at amortised cost amounting to BD 159.3 million (2016: BD 174.5 million) has a fair value amounting to BD 159.2 million (2016: BD 174.1 million).

Investments stated at a carrying amount of BD 61.6 million (2016: BD 62.8 million) are placed in custody of a financial institution to secure a financing line. Further, instruments of such nature having face value BD 17.04 million were pledged to secure another borrowing line.

4 OTHER ASSETS

	<i>Audited</i>	
	<i>30 June</i>	
	<i>31 December</i>	
	<i>2017</i>	
	<i>2016</i>	
	<i>BD '000</i>	
	<i>BD '000</i>	
Deferred tax (note 4.1)	10,687	10,427
Advance against financing transactions	11,334	8,189
Collaterals pending sale	8,491	8,558
Advance against capital expenditure	3,035	2,937
Accounts receivable	1,646	1,355
Advance tax	1,379	1,420
Income receivable	133	245
Others	7,954	8,458
	<u>44,659</u>	<u>41,589</u>
Less: Provision for impairment	(1,425)	(1,428)
	<u>43,234</u>	<u>40,161</u>

Note 4.1

The above net deferred tax asset has been recognised in accordance with the Group's accounting policy. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

5 OTHER LIABILITIES

	<i>Audited</i>	
	<i>30 June</i>	
	<i>31 December</i>	
	<i>2017</i>	
	<i>2016</i>	
	<i>BD '000</i>	
	<i>BD '000</i>	
Margins received	14,423	8,783
Accounts payable	7,031	6,398
Security deposit against Ijara Muntahia Bittamleek	5,129	6,060
Bills payable	5,182	4,997
Provision for employees benefits	2,444	2,997
Charity fund	207	207
Others	5,810	5,046
	<u>40,226</u>	<u>34,488</u>

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

6 SUBORDINATED DEBT

	30 June 2017 BD '000	<i>Audited</i> 31 December 2016 BD '000
Subordinated Mudaraba and Murabaha by Ultimate Parent	11,924	12,273
Subordinated Mudaraba Sukuk	4,713	5,249
	16,637	17,522

7 CONTINGENCIES AND COMMITMENTS

	30 June 2017 BD '000	<i>Audited</i> 31 December 2016 BD '000
Letters of credit	39,165	28,700
Guarantees	36,323	37,419
Foreign exchange contracts	30,454	24,345
Acceptances	10,656	9,417
Taxation	829	5,238
Others	3	205
	117,430	105,324

8 INCOME FROM JOINTLY AND SELF FINANCED, OTHER FINANCINGS AND INVESTMENTS

	<i>Six months ended</i> 30 June	
	2017 BD '000	2016 BD '000
Income from Musharaka	5,074	2,452
Income from investments	4,290	3,237
Income from Ijara Muntahia Bittamleek (note 8.1) - net	3,712	3,559
Gain on sale of investments	1,355	110
Dividend income	69	-
Rental income	45	43
	14,545	9,401
	<i>Six months ended</i> 30 June	
	2017 BD '000	2016 BD '000
Income from jointly financed, other financings and investments	9,843	6,995
Group's income from self financed, other financings and investments	4,702	2,406
	14,545	9,401

8.1 Ijara Muntahia Bittamleek

	<i>Six months ended</i> 30 June	
	2017 BD '000	2016 BD '000
Income from Ijara Muntahia Bittamleek	14,189	12,307
Depreciation on Ijara Muntahia Bittamleek	(10,476)	(8,748)
	3,713	3,559

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 30 June 2017 (Reviewed)

9 REVENUE FROM BANKING SERVICES

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Fees and commissions	1,144	1,140
Letters of credit and acceptances	705	1,188
Guarantees	218	161
	2,067	2,489

10 OTHER INCOME

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Foreign exchange gain - net	401	382
Others	271	230
	672	612

11 REVERSAL OF / (PROVISION FOR) IMPAIRMENT - NET

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Reversal / (Provision for) of specific provision against non-performing assets - net	132	(418)
General provision charge	(280)	(81)
	(148)	(499)

12 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements. Transactions between segments are conducted at estimated market rates on an arm's length basis.

The segmental results of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Assets	460,453	434,060	446,043	465,178	906,496	899,238
Liabilities, equity of investment accountholders and Subordinated debts	432,273	405,340	397,104	415,980	829,377	821,320

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 30 June 2017 (Reviewed)

12 SEGMENTAL INFORMATION (continued)

	Middle East		Other Asian Countries	
	Six months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	BD '000	BD '000	BD '000	BD '000
Total operating income	6,046	6,053	8,818	5,213
Total operating expenses	(5,561)	(5,048)	(8,710)	(5,480)
(Provision for) / reversal of impairment - net	(458)	(11)	310	(488)
Taxation	-	-	(102)	250
Net income for the period	27	994	316	(505)

13 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group, Shari'a supervisory board and external auditors.

The significant balances with related parties were as follows:

	Shareholders		Other Related Parties		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Assets:						
Cash and balances with banks and financial institutions	16	307	36	37	52	344
Receivables	-	-	4,035	18,303	4,035	18,303
Ijara Muntahia Bittamleek	-	-	177	220	177	220
Musharaka	-	-	1,335	813	1,335	813
Ijara income receivables	-	-	30	31	30	31
Investments	-	-	32,824	32,779	32,824	32,779
Other assets	638	990	191	23	829	1,013
	654	1,297	38,628	52,206	39,282	53,503
Liabilities:						
Due to banks and financial institutions	1,877	1,288	5,841	247	7,718	1,535
Current accounts	-	48	4,875	971	4,875	1,019
Other liabilities	2	2	203	357	205	359
	1,879	1,338	10,919	1,575	12,798	2,913
Equity of Investment accountholders	2,280	2,322	22,673	31,831	24,953	34,153
Subordinated Debts	11,924	12,273	-	-	11,924	12,273
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	-	-	26,055	28,168	26,055	28,168
Contingencies and commitments	3	-	1,860	1,671	1,863	1,671

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 30 June 2017 (Reviewed)

13 RELATED PARTY TRANSACTIONS (continued)

The transactions with the related parties included in the statement of income are as follows:

	Shareholders		Other Related Parties		Total	
	2017 BD '000	2016 BD '000	2017 BD '000	2016 BD '000	2017 BD '000	2016 BD '000
Income						
Income from jointly financed sales	-	-	239	208	239	208
Income from jointly financed, other financings and investments	-	-	298	205	298	205
Other income	60	20	-	-	60	20
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	12	15	-	-	12	15
	72	35	537	413	609	448
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	354	116	336	279	690	395
Other expenses	35	130	390	288	425	418
	389	246	726	567	1,115	813

Compensation of key management personnel is as follows:

	Six months ended 30 June	
	2017 BD '000	2016 BD '000
Salaries	893	759
Other benefits	523	484
	1,416	1,243

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the consolidated statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.