

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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 September 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 nine month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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.



12 November 2017
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017 (Reviewed)

	Notes	30 September 2017 BD '000	Audited 31 December 2016 BD '000
ASSETS			
Cash and balances with banks and financial institutions		83,587	105,791
Receivables		293,189	279,953
Mudaraba financing		-	293
Ijara Muntahia Bittamleek		100,752	105,473
Musharaka		121,830	119,405
Investments	3	197,272	206,936
Investments in real estate		2,252	2,252
Ijara income receivables		15,069	11,537
Investment in joint venture		5,512	5,495
Premises and equipment		12,202	11,319
Goodwill		10,542	10,623
Other assets	4	40,845	40,161
TOTAL ASSETS		883,052	899,238
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		11,678	22,045
Current accounts		109,894	110,577
Medium term financing		38,751	34,149
Other liabilities	5	37,627	34,488
Total liabilities		197,950	201,259
Equity of investment accountholders		589,162	602,539
Subordinated debts	6	21,595	17,522
Owners' Equity			
Share capital		46,167	46,167
Reserves		8,730	9,483
Retained earnings		4,831	5,836
Equity attributable to parent's shareholders		59,728	61,486
Non-controlling interest		14,617	16,432
Total owners' equity		74,345	77,918
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY		883,052	899,238
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		28,535	28,648
CONTINGENCIES AND COMMITMENTS	7	125,706	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)

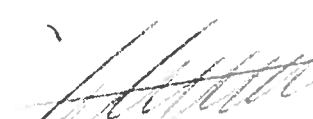
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months period ended 30 September 2017 (Reviewed)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		BD '000	BD '000	BD '000	BD '000
INCOME					
Income from jointly financed sales		3,801	3,073	11,247	9,057
Income from jointly financed, other financings and investments	8	4,498	3,997	14,341	10,992
Income from jointly financed assets		8,299	7,070	25,588	20,049
Return on equity of investment accountholders before Group's share as a Mudarib		(6,865)	(5,448)	(20,607)	(15,925)
Group's share as a Mudarib		1,782	1,309	5,492	4,259
Return on equity of investment accountholders		(5,083)	(4,139)	(15,115)	(11,666)
Group's share as a Mudarib and Rabalmaal		3,216	2,931	10,473	8,383
Group's income from self financed sales		191	103	346	395
Group's income from self financed, other financings and investments	8	1,880	1,143	6,582	3,549
Revenue from banking services	9	918	1,106	2,984	3,595
Other income	10	321	248	993	861
Group's Mudarib/Agency fee from off-balance sheet equity of investment account holders		7	8	18	23
TOTAL OPERATING INCOME		6,533	5,539	21,396	16,806
OPERATING EXPENSES					
Staff expenses		(3,143)	(2,622)	(9,742)	(8,130)
Depreciation		(443)	(408)	(1,301)	(970)
Other operating expenses		(3,230)	(2,197)	(10,044)	(6,655)
TOTAL OPERATING EXPENSES		(6,816)	(5,227)	(21,087)	(15,755)
NET OPERATING (LOSS) / INCOME		(283)	312	309	1,051
Provision for impairment	11	(3,428)	(1,229)	(3,575)	(1,728)
NET LOSS BEFORE TAXATION		(3,711)	(917)	(3,266)	(677)
Taxation		1,297	349	1,195	598
LOSS FOR THE PERIOD		(2,414)	(568)	(2,071)	(79)
Attributable to:					
Equity shareholders of the Parent		(1,494)	(214)	(1,285)	454
Non-controlling interest		(920)	(354)	(786)	(533)
		(2,414)	(568)	(2,071)	(79)



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.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2017 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2017	2016
	BD '000	BD '000
OPERATING ACTIVITIES		
Net loss before taxation	(3,266)	(677)
Adjustments for :		
Depreciation	1,301	970
Provision for impairment	3,575	1,728
Gain on sale of premises and equipment	(14)	(6)
Gain on sale of investments	(1,247)	(398)
Dividend income	(80)	(35)
Share of loss from investment in joint venture	(17)	-
Operating profit before changes in operating assets and liabilities	252	1,582
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	41,304	10,118
Receivables	(7,813)	(11,759)
Mudaraba financing	293	-
Ijara Muntahia Bittamleek	4,721	(4,171)
Musharaka	(2,537)	(17,732)
Ijara income receivables	(3,659)	(1,963)
Other assets	595	(3,390)
Other liabilities	3,154	3,471
Due to banks and financial institutions	(10,367)	(7,238)
Current accounts	(683)	(2,795)
Equity of investment accountholders	(13,377)	29,926
Tax paid	(102)	(197)
Net cash from / (used in) operating activities	11,781	(4,148)
INVESTING ACTIVITIES		
Purchase of investments	(90,316)	(36,734)
Sale of investments	100,159	20,986
Acquisition of shares in subsidiary from minority shareholders	(580)	-
Dividend received	84	35
Net purchase of premises and equipment	(2,170)	(758)
Net cash from / (used in) investing activities	7,177	(16,471)
FINANCING ACTIVITIES		
Subordinated debts	4,073	8,685
Medium term financing	4,602	-
Net cash from financing activities	8,675	8,685
Foreign currency translation adjustments	(259)	15
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	27,374	(11,919)
Cash and cash equivalents at 1 January	119,567	103,424
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	146,941	91,505
For the purpose of the interim cash flows statement, cash and cash equivalents comprise the following:		
Cash in hand	15,345	9,915
Balances with central banks in unrestricted account	4,256	7,451
Balances with other banks and financial institutions	38,786	32,885
Receivables - international commodities	88,554	41,254
	146,941	91,505

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 nine months period ended 30 September 2017 (Reviewed)

	Equity attributable to shareholders of the Parent										
	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	-	-	-	-	(345)	-	-	-	(345)	(252)	(597)
Foreign currency translation reserve	-	-	-	-	-	-	(220)	-	(220)	(120)	(340)
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 loss for the period	-	-	-	-	-	-	-	(1,285)	(1,285)	(786)	(2,071)
Balance at 30 September 2017	46,167	8,557	3,275	(35)	426	450	(3,943)	4,831	59,728	14,617	74,345
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	-	-	-	-	(18)	-	-	-	(18)	(9)	(27)
Foreign currency translation reserve	-	-	-	-	-	-	17	-	17	5	22
Remeasurement gains on defined benefit plan	-	-	-	5	-	-	-	-	5	3	8
Net income / (loss) for the period	-	-	-	-	-	-	-	454	454	(533)	(79)
Balance at 30 September 2016	46,167	8,474	3,275	(60)	(64)	450	(4,427)	5,327	59,142	6,376	65,518

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 nine months period ended 30 September 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 September 2017 BD\$ '000</i>
Receivables	25,103	(579)	426	(18)	24,932
Investments	3,545	58	-	-	3,603
	28,648	(521)	426	(18)	28,535

	<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 September 2016 BD\$ '000</i>
Receivables	35,693	(8,462)	527	(23)	27,735
Investments	3,567	14	-	-	3,581
	39,260	(8,448)	527	(23)	31,316

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 12 November 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the nine month period ended 30 September 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 nine month period ended 30 September 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 September 2017</i>
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited*	59.13% / 57.40%**	2004	Pakistan	185

*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 purchase gain of BD 82.56 thousand and the shareholding has increased from 57.40% to 59.13% effectively from 30 June 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September 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	-	45	45	-	-	-
	-	45	45	-	-	-
ii) Debt-type instruments at amortised cost						
Quoted						
Sukuk	37,979	35,318	73,297	27,434	39,149	66,583
Unquoted						
Sukuk	79,446	12,244	91,690	77,202	31,246	108,448
	117,425	47,562	164,987	104,636	70,395	175,031
iii) Equity-type instruments at fair value through equity						
Quoted						
Listed equity shares	3,888	184	4,072	3,194	159	3,353
Unquoted						
Unlisted equity shares	22,752	187	22,939	22,752	188	22,940
Managed funds	377	1,885	2,262	377	1,885	2,262
Real estate funds	2,438	2,159	4,597	1,748	2,761	4,509
	29,455	4,415	33,870	28,071	4,993	33,064
Less: Provision for impairment	(1,415)	(215)	(1,630)	(987)	(172)	(1,159)
Total investments	145,465	51,807	197,272	131,720	75,216	206,936

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

3 INVESTMENTS (continued)

Included in quoted equity type instruments, BD 3.7 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 29.3 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 164.6 million (2016: BD 174.5 million) has a fair value amounting to BD 164.2 million (2016: BD 174.1 million).

Investments stated at a carrying amount of BD 68.3 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 million were pledged to secure another borrowing line.

4 OTHER ASSETS

	<i>Audited</i>
	<i>30 September 2017</i>
	<i>31 December 2016</i>
	<i>BD '000</i>
	<i>BD '000</i>
Deferred tax (note 4.1)	12,074
Advance against financing transactions	8,744
Collaterals pending sale	8,446
Advance against capital expenditure	2,680
Accounts receivable	1,786
Advance tax	1,292
Income receivable	372
Others	6,882
	42,276
Less: Provision for impairment	(1,431)
	40,845
	41,589
	(1,428)
	40,161

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 September 2017</i>
	<i>31 December 2016</i>
	<i>BD '000</i>
	<i>BD '000</i>
Margins received	14,733
Accounts payable	4,599
Security deposit against Ijara Muntahia Bittamleek	4,857
Bills payable	4,746
Provision for employees benefits	2,541
Charity fund	212
Others	5,939
	37,627
	34,488

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

6 SUBORDINATED DEBT

	<i>Audited</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Subordinated Mudaraba and Murabaha by Ultimate Parent	12,098	12,273
Subordinated Mudaraba Sukuk	9,497	5,249
	<u>21,595</u>	<u>17,522</u>

7 CONTINGENCIES AND COMMITMENTS

	<i>Audited</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Letters of credit	38,918	28,700
Foreign exchange contracts	36,739	24,345
Guarantees	34,873	37,419
Acceptances	14,288	9,417
Taxation	824	5,238
Others	64	205
	<u>125,706</u>	<u>105,324</u>

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

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Income from Musharaka	7,678	3,662
Income from investments	6,358	5,040
Income from Ijara Muntahia Bittamleek (note 8.1) - net	5,497	5,375
Gain on sale of investments	1,247	398
Dividend income	80	-
Rental income	64	66
	<u>20,924</u>	<u>14,541</u>

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Income from jointly financed, other financings and investments	14,341	10,992
Group's income from self financed, other financings and investments	6,582	3,549
	<u>20,923</u>	<u>14,541</u>

8.1 Ijara Muntahia Bittamleek

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
Income from Ijara Muntahia Bittamleek	21,688	17,977
Depreciation on Ijara Muntahia Bittamleek	(16,191)	(12,602)
	<u>5,497</u>	<u>5,375</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

9 REVENUE FROM BANKING SERVICES

	Nine months ended	
	30 September	
	2017	2016
	BD '000	BD '000
Fees and commissions	1,648	1,617
Letters of credit and acceptances	1,059	1,724
Guarantees	277	254
	2,984	3,595

10 OTHER INCOME

	Nine months ended	
	30 September	
	2017	2016
	BD '000	BD '000
Foreign exchange gain - net	656	540
Others	337	321
	993	861

11 PROVISION FOR IMPAIRMENT

	Nine months ended	
	30 September	
	2017	2016
	BD '000	BD '000
Provision for specific provision against non-performing assets	(3,239)	(1,458)
General provision charge	(336)	(270)
	(3,575)	(1,728)

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:

	Middle East		Other Asian Countries		Total	
	30 September	31 December	30 September	31 December	30 September	31 December
	2017	2016	2017	2016	2017	2016
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Assets	467,573	434,060	415,479	465,178	883,052	899,238
Liabilities, equity of investment accountholders and Subordinated debts	439,537	405,340	369,168	415,980	808,705	821,320

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

12 SEGMENTAL INFORMATION (continued)

	<i>Middle East</i>		<i>Other Asian Countries</i>	
	<i>Nine months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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>
Total operating income	8,691	9,254	12,705	7,552
Total operating expenses	(8,135)	(7,286)	(12,952)	(8,469)
Provision for impairment	(690)	(538)	(2,885)	(1,190)
Taxation	(1)	-	1,196	598
Net (loss)/income for the period	(135)	1,430	(1,936)	(1,509)

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:

	<i>Shareholders</i>		<i>Other Related Parties</i>		<i>Total</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</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:						
Cash and balances with banks and financial institutions	14	307	35	37	49	344
Receivables	-	-	3,937	18,303	3,937	18,303
Ijara Muntahia Bittamleek	-	-	161	220	161	220
Musharaka	-	-	1,264	813	1,264	813
Ijara income receivables	-	-	28	31	28	31
Investments	-	-	32,718	32,779	32,718	32,779
Other assets	355	990	189	23	544	1,013
	369	1,297	38,332	52,206	38,701	53,503
Liabilities:						
Due to banks and financial institutions	1,410	1,288	342	247	1,752	1,535
Current accounts	97	48	885	971	982	1,019
Other liabilities	23	2	242	357	265	359
	1,530	1,338	1,469	1,575	2,999	2,913
Equity of investment accountholders	2,263	2,322	22,559	31,831	24,822	34,153
Subordinated Debts	12,098	12,273	-	-	12,098	12,273
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	-	-	26,453	28,168	26,453	28,168
Contingencies and commitments	-	-	2,241	1,671	2,241	1,671

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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	-	-	323	309	323	309
Income from jointly financed, other financings and investments	-	-	378	307	378	307
Other income	90	90	-	-	90	90
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	18	23	-	-	18	23
	108	113	701	616	809	729
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	535	317	475	386	1,010	703
Other expenses	52	130	709	463	761	593
	587	447	1,184	849	1,771	1,296

Compensation of key management personnel is as follows:

	Nine months ended 30 September	
	2017 BD '000	2016 BD '000
Salaries	1,310	1,149
Other benefits	723	681
	2,033	1,830

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.
- (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.