

Bahrain Islamic Bank B.S.C.

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

30 September 2014



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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

28 October 2014

Introduction

We have reviewed the accompanying 30 September 2014 condensed consolidated interim financial information of Bahrain Islamic Bank BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2014;
- the condensed consolidated statement of income for the three-month and nine-month periods ended 30 September 2014;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of sources and uses of good faith qard fund for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2014; 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 2014 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.

Other matters

The comparatives for the condensed consolidated statement of financial position as at 31 December 2013 were extracted from the audited consolidated financial statements for the year ended 31 December 2013, which were audited by another auditor whose report thereon dated 3 February 2014 expressed an unmodified opinion. The comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, sources and uses of good faith qard fund and sources and uses of zakah and charity fund were extracted from the reviewed condensed consolidated interim financial information for the nine-month period ended 30 September 2013, which were reviewed by the same auditor whose report thereon dated 28 October 2013 expressed an unmodified conclusion.

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Note	30 September 2014 BD'000 (reviewed)	31 December 2013 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		56,445	50,831
Due from banks and financial institutions		81,520	184,600
Murabaha receivables		306,565	256,038
Musharaka investments		96,437	90,767
Ijarah muntahia bittamleek		97,563	90,356
Investment securities	7	112,106	107,026
Investment in associates		36,686	36,236
Investment in real estate	8	50,857	58,219
Ijarah rental receivables		14,924	14,924
Property and equipment		16,999	17,067
Other assets	9	4,262	4,230
TOTAL ASSETS		874,364	910,294
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Customers' current accounts		130,114	105,932
Other liabilities	10	17,646	13,608
Total Liabilities		147,760	119,540
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions' investment accounts		83,786	95,144
Customers' investment accounts		563,793	617,494
Total Equity of Investment Accountholders		647,579	712,638
Owners' Equity			
Share capital		93,967	93,967
Treasury shares		(563)	(563)
Reserves		(14,493)	(16,530)
Attributable to equity holders of the parent		78,911	76,874
Non-controlling interest		114	1,242
Total Owners' Equity		79,025	78,116
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		874,364	910,294
COMMITMENTS AND CONTINGENT LIABILITIES	11	21,994	15,991


Abdulrazaq Al Qassim
Chairman


Khalid Al Mannai
Vice Chairman


Mohammed Hassan
Acting Chief Executive Officer

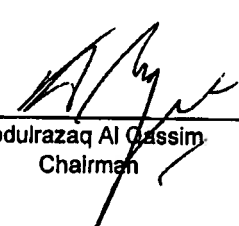
The attached notes 1 to 15 form part of this condensed consolidated interim financial information.

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2014

	Three months ended 30 September		Nine months ended 30 September	
	2014 BD'000 (reviewed)	2013 BD'000 (reviewed)	2014 BD'000 (reviewed)	2013 BD'000 (reviewed)
INCOME				
Income from financing	7,005	9,075	21,050	24,129
Income from investment in Sukuk	669	392	1,685	4,385
	7,674	9,467	22,735	28,514
Gross return to equity of investment accountholders	4,346	7,797	16,873	25,284
Group's share as a Mudarib	(2,619)	(5,292)	(10,925)	(16,658)
Return on equity of investment accountholders	1,727	2,505	5,948	8,626
Group's share of income from jointly financed assets	5,947	6,962	16,787	19,888
Fee and commission income	1,600	1,374	4,696	3,735
Net income from investments	158	504	1,655	1,802
Gain on sale of equity type instruments	-	234	1,896	962
Gain on sale of investment in real estate	2,394	-	3,504	-
Share of results of associates	129	945	(169)	1,151
Net gain / (loss) from foreign currencies	435	(6)	757	203
Total income	10,663	10,013	29,126	27,741
EXPENSES				
Staff costs	3,256	2,440	8,234	7,643
Depreciation	408	501	1,234	1,202
Other expenses	2,125	2,305	6,982	5,941
Total expenses	5,789	5,246	16,450	14,786
Net profit before impairment allowances	4,874	4,767	12,676	12,955
Impairment on investment in real estate	-	-	-	(41)
Provision for impairment on financing and investments	(2,623)	(4,198)	(10,569)	(10,638)
Write back of impairment provision on financing and investments	275	835	4,469	1,529
NET PROFIT FOR THE PERIOD	2,526	1,404	6,576	3,805
BASIC AND DILUTED EARNINGS PER SHARE (fils)	2.70	1.50	7.03	4.08


Abdurazaq Al Qassim
Chairman


Khalid Al Mannai
Vice Chairman


Mohammed Hassan
Acting Chief Executive Officer

Bahrain Islamic Bank B.S.C.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2014

	<i>Nine months ended</i>	
	30 September	
	2014	2013
	BD'000	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
OPERATING ACTIVITIES		
Net profit for the period	6,576	3,805
Adjustments for non-cash items:		
Depreciation	1,234	1,202
Impairment on investment in real estate	-	41
Net provision for impairment on financing and investments	6,100	9,109
Gain on sale of investment in Sukuk	-	(3,448)
Gain on sale of equity type instruments	(1,896)	(962)
Gain on sale of investment in real estate	(3,504)	-
Share of results of associates	169	(1,151)
Unrealised gain on equity type instruments carried at fair value through statement of income	-	(66)
Operating profit before changes in operating assets and liabilities	8,679	8,530
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	1,890	(1,635)
Due from banks and financial institutions	57,281	(15,576)
Murabaha receivables	(56,856)	(27,602)
Musharaka investments	(3,333)	463
Other assets	(32)	(251)
Customers' current accounts	24,182	26,849
Other liabilities	4,038	114
Net cash from / (used in) operating activities	35,849	(9,108)
INVESTING ACTIVITIES		
Net disposal / (additions) of investment in real estate	7,362	(30)
Net (additions) / disposal of Ijarah Muntahia Bittamleek assets	(9,604)	1,878
Dividends from investment in associates	70	80
Purchase of property and equipment	(1,166)	(2,577)
Purchase of investment securities	(39,595)	(26,298)
Proceeds from disposal of investment securities	33,848	35,555
Net cash (used in) / from investing activities	(9,085)	8,608
FINANCING ACTIVITIES		
Financial institutions' investment accounts	(11,358)	(18,826)
Customers' investment accounts	(53,701)	47,871
Net cash (used in) / from financing activities	(65,059)	29,045
NET CHANGE IN CASH AND CASH EQUIVALENTS	(38,295)	28,545
Cash and cash equivalents at 1 January	145,410	119,893
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	107,115	148,438
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash on hand	7,643	6,671
Balances with CBB, excluding mandatory reserve deposits	3,389	9,774
Balances with banks and other financial institutions	14,563	10,764
Due from banks and financial institutions with original maturities less than 90 days	81,520	121,229
	107,115	148,438

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2014

	Reserves					Total reserves BD'000	Equity attributable to equity holders of the parent BD'000	Non-controlling interest BD'000	Total owners' equity BD'000		
	Share capital BD'000	Treasury shares BD'000	Statutory reserve BD'000	General reserve BD'000	Real estate fair value reserve BD'000					Cumulative changes in fair value of investments BD'000	Accumulated losses BD'000
(Reviewed)											
Balance at 1 January 2014	93,967	(563)	10,879	1,000	11,301	4,248	(43,958)	(16,530)	76,874	1,242	78,116
Net profit for the period	-	-	-	-	-	-	6,576	6,576	6,576	-	6,576
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	(2,156)	-	(2,156)	(2,156)	-	(2,156)
Net movement in real estate fair value reserve from:											
i) Investment in real estate	-	-	-	-	(3,580)	-	-	(3,580)	(3,580)	-	(3,580)
ii) Investment in associate	-	-	-	-	1,197	-	-	1,197	1,197	-	1,197
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	(1,128)	(1,128)
Balance at 30 September 2014	93,967	(563)	10,879	1,000	8,918	2,092	(37,382)	(14,493)	78,911	114	79,025
(Reviewed)											
Balance at 1 January 2013	93,967	(563)	10,268	1,000	-	1,286	(36,195)	(23,641)	69,763	-	69,763
Changes due to adoption of FAS 26	-	-	-	-	13,259	-	(13,259)	-	-	-	-
As at 1 January 2013 (restated)	93,967	(563)	10,268	1,000	13,259	1,286	(49,454)	(23,641)	69,763	-	69,763
Net profit for the period	-	-	-	-	-	-	3,805	3,805	3,805	-	3,805
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	1,315	-	1,315	1,315	-	1,315
Balance at 30 September 2013	93,967	(563)	10,268	1,000	13,259	2,601	(45,649)	(18,521)	74,883	-	74,883

The attached 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 2014

	<i>Qard Hasan receivables BD'000 (reviewed)</i>	<i>Funds available for Qard Hasan BD'000 (reviewed)</i>	<i>Total BD'000 (reviewed)</i>
2014			
Balance at 1 January 2014	79	49	128
Uses of Qard fund			
Marriage	21	(21)	-
Total uses during the period	<u>21</u>	<u>(21)</u>	<u>-</u>
Repayments	(30)	30	-
Balance at 30 September 2014	<u><u>70</u></u>	<u><u>58</u></u>	<u><u>128</u></u>
2013			
Balance at 1 January 2013	15	113	128
Uses of Qard fund			
Marriage	39	(39)	-
Sunni Waqf	60	(60)	-
Total uses during the period	<u>99</u>	<u>(99)</u>	<u>-</u>
Repayments	17	(17)	-
Balance at 30 September 2013	<u><u>131</u></u>	<u><u>(3)</u></u>	<u><u>128</u></u>
		30 September 2014 BD'000 (reviewed)	30 September 2013 BD'000 (reviewed)
Sources of Qard fund			
Contribution by the Bank		125	125
Donation		3	3
Total of sources during the period		<u><u>128</u></u>	<u><u>128</u></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 2014

	30 September 2014 BD'000 (reviewed)	30 September 2013 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	226	154
Non-Islamic income / late fee	335	539
Donations	150	-
Total sources of Zakah and charity funds during the period	<u>711</u>	<u>693</u>
Uses of Zakah and charity funds		
Philanthropic societies	424	338
Aid to needy families	222	263
Total uses of funds during the period	<u>646</u>	<u>601</u>
Undistributed Zakah and charity funds at the end of the period	<u>65</u>	<u>92</u>

At 30 September 2014

1 REPORTING ENTITY

Bahrain Islamic Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain in the year 1979 by Amiri Decree No.2 of 1979, 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 a 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 Bahrain Bourse.

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

The Bank has thirteen branches (2013: fifteen), all operating in the Kingdom of Bahrain.

The Bank holds 100% of the share capital of both Abaad Real Estate Company B.S.C. (c) and BisB MMF Company B.S.C. (c), and 99.7% subscription of BisB Money Market Fund ("Subsidiaries").

Abaad Real Estate Company B.S.C. (c) ("Abaad")

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 activities of Abaad are the management and development of real estate (in accordance with the Islamic Shari'a rules and principles).

BisB MMF Company B.S.C. (c) ("MMF")

MMF was incorporated in the Kingdom of Bahrain as a closed joint stock company and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 81322-1. The postal address of the Company is registered at, Building 722, Road 1708, Block 317, Diplomatic Area, Kingdom of Bahrain. The purpose of the MMF is limited to establishing funds (in accordance with the Islamic Shari'a rules and principles).

BisB Money Market Fund ("Fund")

Fund is an open ended investment fund constituted by an instrument dated 12 June 2012 and commenced its activities on 9 July 2012. The fund is a Bahrain domiciled Shari'a compliant retail collective investment scheme established by Bahrain Islamic Bank B.S.C. pursuant to the Central Bank of Bahrain regulations and directives as contained in the rulebook volume 7. The fund has been established by BisB MMF Company B.S.C. (c).

The condensed consolidated interim financial information was authorised for issue in accordance with a resolution of the Board of Directors on 28 October 2014.

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Bank and its subsidiaries (together "the Group") for the nine month period ended 30 September 2014 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 for the year ended 31 December 2013.

The condensed consolidated interim financial information is reviewed not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2013 and comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, sources and uses of good faith qard fund and sources and uses of Zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the nine months ended 30 September 2013.

The Group's capital adequacy ratio as at 30 September 2014 of 9.4% was below the minimum regulatory ratio. The Bank has informed the regulatory of its current capital position and its plans to restore the capital adequacy ratio to minimum regulatory requirement.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013 which were prepared in accordance with the FAS issued by the AAOIFI, the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

At 30 September 2014

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

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 2013.

6 SEASONALITY

Results for the nine month period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

7 INVESTMENT SECURITIES

	30 September 2014			31 December 2013		
	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 carried at amortised cost						
Sukuk						
At 1 January	-	41,705	41,705	-	44,406	44,406
Acquisitions	-	39,595	39,595	-	18,947	18,947
Disposals and redemptions	-	(9,850)	(9,850)	-	(21,648)	(21,648)
Total gross	-	71,450	71,450	-	41,705	41,705
Net provision for impairment	-	(3,282)	(3,282)	-	(3,340)	(3,340)
Total net	-	68,168	68,168	-	38,365	38,365
ii) Equity type instruments carried at fair value through equity						
Quoted shares - at fair value						
At 1 January	26,494	-	26,494	24,920	-	24,920
Acquisitions	-	-	-	4,586	-	4,586
Movement in fair market value	(1,733)	-	(1,733)	2,186	-	2,186
Disposals	(16,941)	-	(16,941)	(5,198)	-	(5,198)
Write off	(4,849)	-	(4,849)	-	-	-
Total gross	2,971	-	2,971	26,494	-	26,494
Net provision for impairment	(1,076)	-	(1,076)	(6,499)	-	(6,499)
Total net	1,895	-	1,895	19,995	-	19,995
Unquoted shares - at cost less impairment						
At 1 January	29,249	-	29,249	34,022	-	34,022
Acquisition	-	-	-	920	-	920
Disposals	(48)	-	(48)	-	-	-
Write off	-	-	-	(5,693)	-	(5,693)
Total gross	29,201	-	29,201	29,249	-	29,249
Net provision for impairment	(7,071)	-	(7,071)	(7,119)	-	(7,119)
Total net	22,130	-	22,130	22,130	-	22,130
Unquoted managed funds - at cost less impairment						
At 1 January	43,808	-	43,808	41,970	-	41,970
Acquisitions	-	-	-	9,384	-	9,384
Foreign currency translation changes	(531)	-	(531)	-	-	-
Disposals	(5,786)	-	(5,786)	(7,546)	-	(7,546)
Total gross	37,491	-	37,491	43,808	-	43,808
Net provision for impairment	(17,578)	-	(17,578)	(18,138)	-	(18,138)
Total net	19,913	-	19,913	25,670	-	25,670

Unquoted equity investments and managed funds classified under investments at fair value through equity comprise investments in closed companies or managed funds managed by external investment managers. These investments are carried at cost less impairment in the absence of a reliable measure of fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
At 30 September 2014

7 INVESTMENT SECURITIES (continued)

	30 September 2014			31 December 2013		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
<i>iii) Equity type instruments carried at fair value through statement of income</i>						
<i>Quoted shares</i>						
At 1 January	866	-	866	426	-	426
Acquisitions	-	-	-	3,247	-	3,247
Movement in fair market value	-	-	-	55	-	55
Disposals	(866)	-	(866)	(2,862)	-	(2,862)
Total	-	-	-	866	-	866
Total net investment securities	43,938	68,168	112,106	68,661	38,365	107,026

8 INVESTMENT IN REAL ESTATE

	Self financed	
	30 September 2014 BD'000	31 December 2013 BD'000
Lands	46,266	53,628
Buildings	4,591	4,591
	50,857	58,219

The following is a reconciliation between the carrying amounts of investment in real estate at the beginning and end of the period:

	30 September 2014 BD'000	31 December 2013 BD'000
At beginning of period	58,219	64,888
Capitalized expenditure	178	-
Disposal	(7,540)	(5,348)
Net loss from fair value adjustments	-	(1,321)
	50,857	58,219

9 OTHER ASSETS

	30 September 2014 BD'000	31 December 2013 BD'000
Receivables	1,907	1,907
Staff advances	1,347	1,323
Income receivable	-	187
Prepaid expenses	460	608
Others	548	225
	4,262	4,230

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

At 30 September 2014

10 OTHER LIABILITIES

	30 September 2014 BD'000	31 December 2013 BD'000
Managers' cheques	3,664	2,924
Payable to vendors	4,251	3,097
Accrued expenses	3,417	2,645
Life insurance fees payable	1,945	1,819
Dividends payable	806	807
Zakah and charity fund	65	226
Others	3,498	2,090
	17,646	13,608

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 2014 BD'000	31 December 2013 BD'000
Letters of credit	3,106	3,910
Guarantees	18,559	11,618
Operating lease commitments *	329	463
	21,994	15,991

* 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 represents associated companies, major shareholders, directors, key management personnel of the Group and Shari'a Supervisory Board Members and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

The significant balances and transactions with related parties at 30 September were as follows:

	2014				Total
	Shareholders	Associates and joint ventures	Directors and related entities	Senior management	
Assets					
Due from banks and financial institutions	-	4,760	-	-	4,760
Murabaha receivables	-	-	1,652	-	1,652
Musharaka investments	-	-	822	-	822
Investment in associates	-	36,686	-	-	36,686
Other assets	-	-	54	162	216
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	1,134	624	66	1,824
Other liabilities	-	1,945	-	-	1,945
Customers' investment accounts	59,571	125	385	555	60,636

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
At 30 September 2014

12 RELATED PARTY TRANSACTIONS (continued)

	2014				Total BD'000
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	
Income					
Income from Islamic financing	-	87	199	-	286
Share of results of associates	-	(169)	-	-	(169)
Return on equity of investment accountholders	(791)	(3)	(6)	(15)	(815)
Expenses					
Other expenses	-	-	(249)	-	(249)
	31 December 2013				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Due from banks and financial institutions	-	9,481	-	-	9,481
Murabaha receivables	-	-	1,237	44	1,281
Musharaka investments	-	-	874	-	874
Investment in associates	-	36,236	-	-	36,236
Other assets	-	-	-	244	244
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	714	368	177	1,259
Other liabilities	-	1,819	-	-	1,819
Customers' investment accounts	48,982	859	825	792	51,458
	30 September 2013				
	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 Islamic financing	-	130	93	-	223
Share of results of associates	-	290	-	-	290
Return on equity of investment accountholders	(93)	(5)	(7)	(13)	(118)
Expenses					
Other expenses	-	-	(59)	-	(59)

Compensation of the key management personnel is as follows:

	Nine months ended 30 September	
	2014 BD'000	2013 BD'000
Short term employee benefits	532	574
Other long term benefits	103	106
	635	680

13 FINANCIAL INSTRUMENTS

Fair value hierarchy

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

At 30 September 2014

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 2014:

	<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				
<i>Quoted securities</i>				
Equities	<u>1,895</u>	<u>-</u>	<u>-</u>	<u>1,895</u>
31 December 2013				
	<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 statement of income				
<i>Quoted securities</i>				
Equities	866	-	-	866
Investments carried at fair value through equity				
<i>Quoted securities</i>				
Equities	19,995	-	-	19,995
	<u>20,861</u>	<u>-</u>	<u>-</u>	<u>20,861</u>

Transfers between Level 1, Level 2 and Level 3

During the nine-month period ended 30 September 2014 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 fair value of financial assets and financial liabilities, with the exception of investments in Sukuk that are carried at amortised cost, approximate their carrying values. The fair values of the Group's investments in Sukuk held at amortized cost amounting to BD 68,168 thousand (2013: BD 38,365 thousand) are BD 63,058 thousand (2013: BD 40,033 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

At 30 September 2014

14 SEGMENTAL INFORMATION (continued)

Segment information is disclosed as follows:

	<i>For the nine months ended 30 September 2014</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				
Total expenses	5,695	15,698	7,733	29,126
Net (provision for impairment on) / write back from financing and investments	(2,626)	(11,686)	(2,139)	(16,451)
Net profit for the period	(5,567)	(1,238)	706	(6,099)
Other information	(2,498)	2,774	6,300	6,576

	<i>30 September 2014</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	220,953	335,979	317,432	874,364
Segment liabilities, and equity	256,436	446,816	171,112	874,364

	<i>For the nine months ended 30 September 2013</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	8,469	13,454	5,818	27,741
Total expenses	(2,321)	(10,290)	(2,175)	(14,786)
Impairment on investment in real estate	-	-	(41)	(41)
Net provision for Impairment on financing and investments	(3,593)	(1,656)	(3,860)	(9,109)
Net (loss) / profit for the period	2,555	1,508	(258)	3,805
Other information				

	<i>31 December 2013</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	205,594	287,777	416,923	910,294
Segment liabilities, and equity	298,522	433,083	178,689	910,294

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 or equity.