

Bahrain Islamic Bank B.S.C.

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

30 June 2015



**KPMG Fakhro
Audit**
12th Floor
Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

CR No 6220
Tel +973 17 224807
Fax +973 17 227443
Internet www.kpmg.com.bh

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

29 July 2015

Introduction

We have reviewed the accompanying 30 June 2015 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 June 2015;
- the condensed consolidated statement of income for the three-month and six-month periods ended 30 June 2015;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2015;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2015;
- the condensed consolidated statement of sources and uses of good faith qard fund for the six-month period ended 30 June 2015;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 2015; 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 June 2015 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.

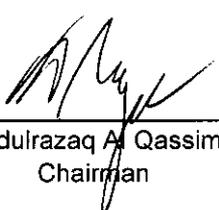
Bahrain Islamic Bank B.S.C.

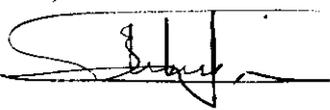
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

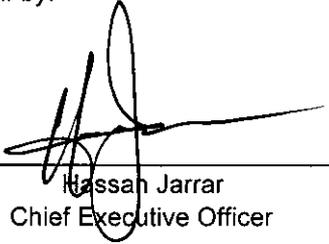
At 30 June 2015

	Note	30 June 2015 BD'000 (reviewed)	31 December 2014 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		58,716	52,118
Placements with financial institutions		49,503	68,567
Financing assets		442,941	408,021
Investments securities	8	125,834	123,561
Ijarah Muntahia Bittamleek		109,363	102,277
Ijarah rental receivables		14,065	14,065
Investment in associates		29,624	30,835
Investment in real estate	9	48,102	53,934
Property and equipment		17,172	17,101
Other assets	10	5,017	4,728
TOTAL ASSETS		900,337	875,207
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		91,726	75,570
Customers' current accounts		144,455	137,423
Other liabilities	11	17,818	16,518
Total Liabilities		253,999	229,511
Equity of Investment Accountholders		559,668	566,601
Owners' Equity			
Share capital		94,907	93,967
Treasury shares		(563)	(563)
Shares under employee share incentive scheme	12	(879)	-
Share premium		30	-
Reserves		(6,825)	(14,320)
Equity attributable to owners of the parent		86,670	79,084
Non-controlling interest		-	11
Total Owners' Equity		86,670	79,095
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		900,337	875,207

These condensed consolidated interim financial information, which consist of pages 2 to 14, were approved by the Board of Directors on 29 July 2015 and signed on its behalf by:


Abdulrazaq Al Qassim
Chairman


Khalid Al Mannai
Vice Chairman


Hassan Jarrar
Chief Executive Officer

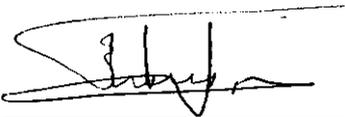
Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2015

	Three months ended 30 June		Six months ended 30 June	
	2015 BD'000 (reviewed)	2014 BD'000 (reviewed)	2015 BD'000 (reviewed)	2014 BD'000 (reviewed)
INCOME				
Income from financing	8,954	6,968	16,404	14,045
Income from investment in Sukuk	913	551	1,816	1,016
	9,867	7,519	18,220	15,061
Less: Return on equity of investment accountholders	(1,285)	(1,801)	(2,607)	(4,021)
	8,582	5,718	15,613	11,040
Expense on placements from financial institutions	(77)	(138)	(133)	(200)
Fee and commission income	1,797	1,725	3,654	3,096
Income from investments	672	354	694	3,205
Income from investment in real estate	468	415	1,071	1,298
Share of loss of associates, net	(750)	(394)	(894)	(298)
Net gain from foreign currencies	538	147	971	322
Total income	11,230	7,827	20,976	18,463
EXPENSES				
Staff costs	2,509	2,485	4,739	4,978
Depreciation	383	411	785	826
Other expenses	2,435	2,378	4,631	4,857
Total expenses	5,327	5,274	10,155	10,661
Profit for the period before impairment allowances	5,903	2,553	10,821	7,802
Impairment provisions on financing assets	(1,873)	(1,967)	(3,747)	(4,452)
Write back on investments	1,087	959	1,122	700
PROFIT FOR THE PERIOD	5,117	1,545	8,196	4,050
BASIC AND DILUTED EARNINGS PER SHARE (fils)	5.46	1.65	8.75	4.32


Abdulrazaq Al Qassim
Chairman


Khalid Al Mannai
Vice Chairman


Hassan Jarrar
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	<i>Six months ended</i>	
	<i>30 June</i>	
	2015	2014
	BD'000	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	8,196	4,050
Adjustments for:		
Depreciation	785	826
Impairment on investment in real estate	144	-
Impairment provision on financing assets	3,747	3,752
Write back on investments	(1,122)	-
Gain on sale of investment in Sukuk	(11)	3
Gain on sale of equity type instruments	-	(1,896)
Gain on sale of investment in real estate	(1,058)	(1,110)
Share of loss of associates, net	894	298
Foreign exchange revaluation	(1,690)	-
Operating profit before changes in operating assets and liabilities	9,885	5,923
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	(465)	295
Financing assets	(37,833)	(57,719)
Ijarah Muntahia Bittamleek assets	(7,903)	(4,962)
Other assets	(289)	617
Customers' current accounts	7,032	40,099
Other liabilities	1,300	5,507
Placements from financial institutions	16,156	(9,708)
Customers' investment accounts	(6,933)	(40,590)
Net cash used in operating activities	(19,050)	(60,538)
INVESTING ACTIVITIES		
Disposal of investment in real estate	7,569	2,241
Dividends from investment in associates	-	70
Purchase of property and equipment	(856)	(927)
Purchase of investment securities	(35,363)	(42,235)
Proceeds from disposal of investment securities	34,770	28,687
Net cash from / (used in) investing activities	6,120	(12,164)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,930)	(72,702)
Cash and cash equivalents at 1 January	89,630	145,410
CASH AND CASH EQUIVALENTS AT 30 JUNE	76,700	72,708
Cash and cash equivalents comprise:		
Cash on hand	10,464	7,382
Balances with CBB, excluding mandatory reserve deposits	8,257	6,132
Balances with banks and other financial institutions	8,476	14,794
Placements with financial institutions with original maturities of 90 days or less	49,503	44,400
	76,700	72,708

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2015

	Share capital BD'000	Treasury shares BD'000	Shares under employee incentive scheme BD'000	Share premium BD'000	Statutory reserve BD'000	General reserve BD'000	Reserves			Equity attributable to owners of the parent BD'000			Total owners' equity BD'000	
							Real estate fair value reserve BD'000	Investments fair value reserve BD'000	Accumulated losses BD'000	Total reserves BD'000	Non-controlling interest BD'000	Total BD'000		
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	-	-	-	-	-	-	-	-	8,196	8,196	8,196	-	8,196	
Net movement in investments fair value reserve	-	-	-	-	-	-	(427)	(427)	-	(427)	(427)	-	(427)	
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 June 2015	94,907	(563)	(879)	30	11,809	1,000	7,087	674	(27,395)	(6,825)	86,670	-	86,670	
2014 - 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	
Profit for the period	-	-	-	-	-	-	-	-	4,050	4,050	4,050	-	4,050	
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(2,372)	-	(2,372)	(2,372)	-	(2,372)	
Net movement in real estate fair value reserve from:														
i) Investment in real estate	-	-	-	-	-	-	(1,048)	-	-	(1,048)	(1,048)	-	(1,048)	
ii) Investment in associate	-	-	-	-	-	-	1,197	-	-	1,197	1,197	-	1,197	
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(624)	(624)	
Balance at 30 June 2014	93,967	(563)	-	-	10,879	1,000	11,450	1,876	(39,908)	(14,703)	78,701	618	79,319	

The accompanying notes 1 to 17 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 six months ended 30 June 2015

	<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 2015	80	48	128
Uses of Qard fund			
Marriage	6	(6)	-
Others (Waqf)	9	(9)	-
Total uses during the period	15	(15)	-
Repayments	(23)	23	-
Balance at 30 June 2015	72	56	128
Balance at 1 January 2014	79	49	128
Uses of Qard fund			
Marriage	15	(15)	-
Total uses during the period	15	(15)	-
Repayments	(18)	18	-
Balance at 30 June 2014	76	52	128
		30 June 2015 BD'000 (reviewed)	30 June 2014 BD'000 (reviewed)
Sources of Qard fund			
Contribution by the Bank		125	125
Donation		3	3
Total of sources during the period		128	128

Bahrain Islamic Bank B.S.C.

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

For the six months ended 30 June 2015

	30 June 2015 BD'000 (reviewed)	30 June 2014 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	282	226
Non-Islamic income / late fee	282	335
Donations	19	150
Total sources of Zakah and charity funds during the period	583	711
Uses of Zakah and charity funds		
Philanthropic societies	85	294
Aid to needy families	197	168
Total uses of funds during the period	282	462
Undistributed Zakah and charity funds at the end of the period	301	249

30 June 2015

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 eleven branches (2014: eleven), 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), BisB Hawafiz S.P.C, BisB MMF Company B.S.C. (c), and 100% subscription of BisB Money Market Fund.

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 consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors issued on 29 July 2015.

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Bank and its subsidiaries (together "the Group") for the six month period ended 30 June 2015 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 2014.

3 SEASONALITY

There is no material income of a seasonal nature.

4 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 2014 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 six months ended 30 June 2014.

Appropriations of net profit, if any, are made only after obtaining approval of the shareholders.

5 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 2014, except as stated below:

30 June 2015

5 SIGNIFICANT ACCOUNTING POLICIES (continued)**New amendments issued during the period and effective for annual reporting period ending on or after 31 December 2015****FAS 23 - Consolidation**

During the quarter, AAOIFI issued amendment to FAS 23 - Consolidation. The amendment provides additional guidance on the way an Islamic Financial Institution should determine when an entity should be consolidated.

The amendment that has been introduced by AAOIFI provides that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the Islamic financial institutions that give de facto power over an entity, potential voting rights, or a combination of these factors.

The amendment is effective for annual reporting period ending on or after 31 December 2015. The amendment did not have an impact on the Group's consolidated financial statements.

6 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 2014.

7 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 2014.

8 INVESTMENT SECURITIES

	30 June 2015			31 December 2014		
	Self financed BD'000	Jointly financed BD'000	Total BD'000	Self financed BD'000	Jointly financed BD'000	Total BD'000
i) Debt type instruments carried at amortised cost						
Sukuk						
At 1 January	-	85,808	85,808	-	41,705	41,705
Acquisitions	-	35,344	35,344	-	50,229	50,229
Disposals and redemptions	-	(32,372)	(32,372)	-	(6,126)	(6,126)
	-	88,780	88,780	-	85,808	85,808
Provision for impairment	-	(3,873)	(3,873)	-	(3,974)	(3,974)
	-	84,907	84,907	-	81,834	81,834
ii) Equity type instruments carried at fair value through equity						
Quoted shares - at fair value						
At 1 January	1,393	-	1,393	25,418	-	25,418
Fair value change	(131)	-	(131)	(2,235)	-	(2,235)
Disposals	-	-	-	(16,941)	-	(16,941)
Write off	-	-	-	(4,849)	-	(4,849)
Total net	1,262	-	1,262	1,393	-	1,393
Unquoted shares - at cost less impairment						
At 1 January	29,201	-	29,201	29,249	-	29,249
Disposals	-	-	-	(48)	-	(48)
Write off	(4,238)	-	(4,238)	-	-	-
	24,963	-	24,963	29,201	-	29,201
Provision for impairment	(3,483)	-	(3,483)	(7,721)	-	(7,721)
	21,480	-	21,480	21,480	-	21,480
Unquoted managed funds - at cost less impairment						
At 1 January	36,541	-	36,541	43,808	-	43,808
Addition	19	-	19	-	-	-
Foreign currency translation changes	(296)	-	(296)	(1,242)	-	(1,242)
Disposals	(1,848)	-	(1,848)	(6,025)	-	(6,025)
Write off	(15,987)	-	(15,987)	-	-	-
	18,429	-	18,429	36,541	-	36,541
Provision for impairment	(244)	-	(244)	(17,687)	-	(17,687)
	18,185	-	18,185	18,854	-	18,854

30 June 2015

8 INVESTMENT SECURITIES (continued)

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.

	30 June 2015			31 December 2014		
	<i>Self</i>	<i>Jointly</i>	<i>Total</i>	<i>Self</i>	<i>Jointly</i>	<i>Total</i>
	<i>financed</i>	<i>financed</i>		<i>financed</i>	<i>financed</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>
<i>iii) Equity type instruments carried at fair value through statement of income</i>						
<i>Quoted shares</i>						
At 1 January	-	-	-	866	-	866
Disposals	-	-	-	(866)	-	(866)
	-	-	-	-	-	-
Total net investments securities	40,927	84,907	125,834	41,727	81,834	123,561

9 INVESTMENT IN REAL ESTATE

	<i>Self financed</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>BD'000</i>	<i>BD'000</i>
Lands	45,507	51,339
Buildings	2,595	2,595
	48,102	53,934

Movement on investment in real estate:

	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>BD'000</i>	<i>BD'000</i>
Balance at beginning of period	53,934	58,219
Additions	1,093	-
Capitalized expenditure	-	257
Disposal	(6,511)	(7,799)
Fair value changes	(414)	3,257
Balance at end of period	48,102	53,934

10 OTHER ASSETS

	<i>Self financed</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
	<i>BD'000</i>	<i>BD'000</i>
Receivables	1,391	1,907
Staff advances	1,252	1,177
Prepaid expenses	409	658
Others	1,965	986
	5,017	4,728

30 June 2015

11 OTHER LIABILITIES

	30 June 2015 BD'000	31 December 2014 BD'000
Managers' cheques	5,107	4,150
Payable to vendors	3,060	3,039
Accrued expenses	2,857	3,334
Life insurance (Takaful) fees payable	1,912	1,928
Dividends payable	806	806
Zakah and charity fund	301	282
Others	3,775	2,979
	17,818	16,518

12 SHARES UNDER EMPLOYEE SHARE INCENTIVE SCHEME

At the ordinary general meeting for the year 2014 which was held on 23 March 2015, and in accordance with the CBB's Sound Remuneration Practices, the Employee Share Incentive Scheme (the "Scheme") was approved. As a result, 9,396,735 ordinary shares amounting to BD 940 thousand were issued during the period. These unallocated shares under the Scheme are deducted from equity. The Bank has allocated 603,537 ordinary shares with a nominal value of BD 61 thousand to the employees under this Scheme, which has resulted in share premium of BD 30 thousand. The allocated shares under the Scheme are entitled to cash & stock dividends.

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

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

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

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

	30 June 2015 BD'000	31 December 2014 BD'000
Letters of credit and acceptances	3,718	2,775
Guarantees	20,610	18,760
Operating lease commitments *	738	742
	25,066	22,277

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

14 RELATED PARTY TRANSACTIONS

Related parties 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 June were as follows:

	2015				Total BD'000
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	
Assets					
Placements with financial institutions	-	-	-	-	-
Financing assets	-	-	2,048	-	2,048
Investment in associates	-	29,624	-	-	29,624
Other assets	-	-	-	187	187
Liabilities and Equity of Investment accountholders					
Customers' current accounts	-	1,696	595	68	2,359
Other liabilities	-	1,912	-	-	1,912
Due to banks and financial institutions	-	566	-	-	566
Customers' investment accounts	43,247	1,356	671	800	46,074

30 June 2015

14 RELATED PARTY TRANSACTIONS (continued)

	2015				Total BD'000
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	
Income					
Income from Islamic financing	-	-	79	-	79
Income from placements with Financial institution	-	4	-	-	4
Share of results of associates	-	(768)	-	-	(768)
Return on equity of Investment accountholders	(331)	(1)	(1)	(12)	(345)
Expenses					
Staff costs	-	-	-	(405)	(405)
Other expenses	-	-	(314)	-	(314)

	31 December 2014				Total BD'000
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	
Assets					
Due from banks and financial institutions	-	4,734	-	-	4,734
Financing assets	-	-	2,402	-	2,402
Investment in associates	-	30,835	-	-	30,835
Other assets	-	-	-	194	194
Liabilities and Equity of Investment accountholders					
Customers' current accounts	-	1,282	594	49	1,926
Other liabilities	-	1,928	-	-	1,928
Customers' investment accounts	45,639	425	457	591	47,112

	30 June 2014				Total BD'000
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	
Income					
Income from Islamic financing	-	64	138	-	202
Share of results of associates	-	(298)	-	-	(298)
Return on equity of investment accountholders	(557)	(3)	(5)	(14)	(579)
Expenses					
Staff costs	-	-	-	(438)	(438)
Other expenses	-	-	(208)	-	(208)

Compensation of the key management personnel is as follows:

	Six months ended 30 June	
	2015 BD'000	2014 BD'000
Short term employee benefits	335	368
Other long term benefits	70	70
	405	438

15 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.

30 June 2015

15 FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 2015:

	<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>1,262</u>	<u>-</u>	<u>-</u>	<u>1,262</u>

31 December 2014

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments carried at fair value through equity				
<i>Quoted securities</i>				
Equities	<u>1,393</u>	<u>-</u>	<u>-</u>	<u>1,393</u>

Transfers between Level 1, Level 2 and Level 3

During the six-month period ended 30 June 2015 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 84,907 thousand (2014: BD 81,834 thousand) are BD 83,976 thousand (2014: BD 81,181 thousand).

16 SEGMENTAL INFORMATION

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

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

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

30 June 2015

16 SEGMENTAL INFORMATION (continued)

Segment information is disclosed as follows:

	<i>For the six months ended 30 June 2015</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total income	5,406	12,490	3,080	20,976
Total expenses	(1,648)	(7,326)	(1,181)	(10,155)
(Provision for impairment) / write back	(3,541)	(206)	1,122	(2,625)
Profit for the period	217	4,958	3,021	8,196

Other information

	<i>30 June 2015</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	216,492	393,615	290,230	900,337
Segment liabilities	239,897	477,201	96,569	813,667
Total equity				86,670
Total liabilities and equity				900,337

	<i>For the six months ended 30 June 2014</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total income	4,152	10,738	3,573	18,463
Total expenses	(1,718)	(7,496)	(1,447)	(10,661)
Provision for impairment	(4,117)	39	326	(3,752)
(Loss) / profit for the period	(1,683)	3,281	2,452	4,050

Other information

	<i>31 December 2014</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	219,150	348,118	307,939	875,207
Segment liabilities, and equity	260,948	452,778	82,397	796,123
Total equity				79,084
Total liabilities and equity				875,207

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

17 COMPARATIVES

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