

Bahrain Islamic Bank B.S.C.

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

31 MARCH 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

11 May 2014

Introduction

We have reviewed the accompanying 31 March 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 31 March 2014;
- the condensed consolidated statement of income for the three month period ended 31 March 2014;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2014;
- the condensed consolidated statement of changes in owners' equity for the three month period ended 31 March 2014;
- the condensed consolidated statement of sources and uses of good faith qard fund for the three month period ended 31 March 2014;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the three month period ended 31 March 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated 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 31 March 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

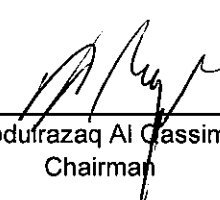
The comparatives for the condensed consolidated statement of financial position as at 31 December 2013 were extracted from the audited consolidated financial statements for the year ended 31 December 2013, which were audited by another auditor whose report thereon dated 3 February 2014 expressed an unmodified 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 three months ended 31 March 2013 which were reviewed by the same auditor whose report thereon dated 30 April 2013 expressed an unmodified conclusion.

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Note	31 March 2014 BD'000 (reviewed)	31 December 2013 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		48,801	50,831
Due from banks and financial institutions		145,093	184,600
Murabaha receivables		259,858	256,038
Musharaka investments		94,713	90,767
Ijarah muntahia bittamleek		88,695	90,356
Investment securities	6	119,146	107,026
Investment in associates		36,402	36,236
Investment in real estate	7	56,540	58,219
Ijarah rental receivables		14,924	14,924
Property and equipment		17,123	17,067
Other assets	8	3,943	4,230
TOTAL ASSETS		885,238	910,294
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Customers' current accounts		112,848	105,932
Other liabilities	9	18,222	13,608
Total Liabilities		131,070	119,540
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Financial institutions' investment accounts		77,558	95,144
Customers' investment accounts		599,023	617,494
Total Equity of Investment Accountholders		676,581	712,638
Owners' Equity			
Share capital		93,967	93,967
Treasury shares		(563)	(563)
Reserves		(16,790)	(16,530)
Attributable to equity holders of the parent		76,614	76,874
Non-controlling interest		973	1,242
Total Owners' Equity		77,587	78,116
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		885,238	910,294
COMMITMENTS AND CONTINGENT LIABILITIES	10	13,393	15,991


Abdurazaq Al Qassim
Chairman


Khalid Al Mannai
Vice Chairman


Mohammed Ebrahim Mohammed
Chief Executive Officer

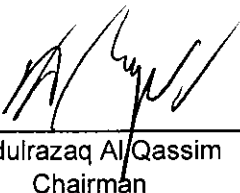
The attached notes 1 to 14 form part of this condensed consolidated interim financial information.

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2014

	<i>Three months ended</i>	
	<i>31 March</i>	
	2014	2013
	BD'000	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
INCOME		
Income from financing	7,077	7,000
Income from investment in Sukuk	465	3,696
	7,542	10,696
Gross return to equity of investment accountholders	6,479	9,978
Group's share as a Mudarib	(4,197)	(6,887)
Return on equity of investment accountholders	2,282	3,091
Group's share of income from jointly financed assets	5,260	7,605
Fee and commission income	1,371	1,058
Net income from investments	1,143	177
Gain on sale of equity type instruments	1,896	645
Gain on sale of investment in real estate	695	-
Share of results of associates	96	60
Net gain from foreign currencies	175	331
Total income	10,636	9,876
EXPENSES		
Staff costs	2,493	2,537
Depreciation	415	353
Other expenses	2,479	1,809
Total expenses	5,387	4,699
Net profit before impairment allowances	5,249	5,177
Impairment on investment in real estate	-	(41)
Provision for impairment on financing and investments	(5,314)	(4,729)
Write back of impairment provision on financing and investments	2,570	694
NET PROFIT FOR THE PERIOD	2,505	1,101
BASIC AND DILUTED EARNINGS PER SHARE (fils)	2.68	1.18


Abdulrazaq Al Qassim
Chairman


Khalid Al Mannai
Vice Chairman


Mohammed Ebrahim Mohammed
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2014

	<i>Three months ended</i>	
	<i>31 March</i>	
	2014	2013
	BD'000	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
OPERATING ACTIVITIES		
Net profit for the period	2,505	1,101
Adjustments for non-cash items:		
Depreciation	415	353
Impairment on investment in real estate	-	41
Net provision for impairment on financing and investments	2,744	4,035
Gain on sale of investment in Sukuk	(1)	(3,388)
Gain on sale of equity type instruments	(1,896)	(645)
Gain on sale of investment in real estate	(695)	-
Share of results of associates	(96)	(60)
Gain on foreign exchange revaluation	12	-
Unrealised gain on equity type instruments carried at fair value through statement of income	-	(11)
Operating profit before changes in operating assets and liabilities	2,988	1,426
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	220	445
Due from banks and financial institutions	57,281	729
Murabaha receivables	(5,674)	(5,125)
Musharaka investments	(4,153)	(1,870)
Other assets	287	(538)
Customers' current accounts	6,916	18,808
Other liabilities	4,614	1,811
Net cash from operating activities	62,479	15,686
INVESTING ACTIVITIES		
Disposal of investment in real estate	1,547	20
Disposal of Ijarah Muntahia Bittamleek assets	1,667	217
Investment in associates	-	-
Purchase of property and equipment	(471)	-
Purchase of investment securities	(33,689)	(3,874)
Proceeds from disposal of investment securities	20,487	26,851
Net cash (used in) / from investing activities	(10,459)	23,214
FINANCING ACTIVITIES		
Financial institutions' investment accounts	(17,586)	(27,304)
Customers' investment accounts	(18,471)	(6,155)
Net cash used in financing activities	(36,057)	(33,459)
NET CHANGE IN CASH AND CASH EQUIVALENTS	15,963	5,441
Cash and cash equivalents at 1 January	145,410	119,893
CASH AND CASH EQUIVALENTS AT 31 MARCH	161,373	125,334
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash on hand	7,004	6,386
Balances with CBB, excluding mandatory reserve deposits	2,904	5,812
Balances with banks and other financial institutions	6,372	8,900
Due from banks and financial institutions with original maturities less than 90 days	145,093	104,236
	161,373	125,334

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2014

	Reserves					Equity attributable to equity holders of the parent		Non-controlling interest		Total owners' equity			
	Share capital	Treasury shares	Statutory reserve	General reserve	Real estate fair value reserve	Cumulative changes in fair value of investments	Accumulated losses	Total reserves	BD'000	BD'000	BD'000	BD'000	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	-	-	-	-	-	-	2,505	2,505	2,505	-	2,505		
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	(2,127)	-	(2,127)	(2,127)	-	(2,127)		(2,127)
Net movement in cumulative changes in fair value of investments in real estate	-	-	-	-	(638)	-	-	(638)	(638)	-	(638)		(638)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	(269)	(269)		(269)
Balance at 31 March 2014	93,967	(563)	10,879	1,000	10,663	2,121	(41,453)	(16,790)	76,614	973	77,587		
(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	-	-	-	-	-	-	1,101	1,101	1,101	-	1,101		1,101
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	(482)	-	(482)	(482)	-	(482)		(482)
Balance at 31 March 2013	93,967	(563)	10,268	1,000	13,259	804	(48,353)	(23,022)	70,382	-	70,382		

The attached notes 1 to 14 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 three months ended 31 March 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	3	(3)	-
Total uses during the period	3	(3)	-
Repayments	(6)	6	-
Balance at 31 March 2014	76	52	128
2013			
Balance at 1 January 2013	15	113	128
Uses of Qard fund			
Marriage	25	(25)	-
Sunni Waqf	55	(55)	-
Total uses during the period	80	(80)	-
Repayments	(8)	8	-
Balance at 31 March 2013	87	41	128
		31 March 2014 BD'000 (reviewed)	31 March 2013 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 three months ended 31 March 2014

	31 March 2014 BD'000 (reviewed)	31 March 2013 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	225	58
Non-Islamic income / late fee	135	418
Donations	150	-
Total sources of Zakah and charity funds during the period	510	476
Uses of Zakah and charity funds		
Philanthropic societies	73	92
Aid to needy families	61	80
Total uses of funds during the period	134	172
Undistributed Zakah and charity funds at the end of the period	376	304

At 31 March 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 fifteen 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 80% 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 11 May 2014.

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Bank and its subsidiaries (together "the Group") for the three month period ended 31 March 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 as at 31 December 2013. In addition, results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 three months ended 31 March 2013.

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.

At 31 March 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 INVESTMENT SECURITIES

	31 March 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	-	33,576	33,576	-	18,947	18,947
Disposals and redemptions	-	(189)	(189)	-	(21,648)	(21,648)
	-	75,092	75,092	-	41,705	41,705
Net provision for impairment	-	(3,353)	(3,353)	-	(3,340)	(3,340)
Total Sukuk	-	71,739	71,739	-	38,365	38,365
ii) Equity type instruments carried at fair value through equity						
<i>Quoted shares - at fair value</i>						
At 1 January	26,494	-	26,494	24,920	-	24,920
Acquisitions	-	-	-	4,586	-	4,586
Movement in fair market value	(2,312)	-	(2,312)	2,186	-	2,186
Disposals	(16,941)	-	(16,941)	(5,198)	-	(5,198)
Write off	(4,849)	-	(4,849)	-	-	-
	2,392	-	2,392	26,494	-	26,494
Net provision for impairment	(1,076)	-	(1,076)	(6,499)	-	(6,499)
Total quoted shares - at fair value	1,316	-	1,316	19,995	-	19,995
<i>Unquoted shares - at cost less impairment</i>						
At 1 January	29,249	-	29,249	34,022	-	34,022
Acquisition	-	-	-	920	-	920
Disposals	(48)	-	(48)	-	-	-
Write off	-	-	-	(5,693)	-	(5,693)
	29,201	-	29,201	29,249	-	29,249
Net provision for impairment	(7,071)	-	(7,071)	(7,119)	-	(7,119)
Total unquoted shares						
- at cost less impairment	22,130	-	22,130	22,130	-	22,130
<i>Unquoted managed funds - at cost less impairment</i>						
At 1 January	43,808	-	43,808	41,970	-	41,970
Acquisitions	-	-	-	9,384	-	9,384
Foreign currency translation changes	33	-	33	-	-	-
Disposals	(1,110)	-	(1,110)	(7,546)	-	(7,546)
Write off	(50)	-	(50)	-	-	-
	42,681	-	42,681	43,808	-	43,808
Net provision for impairment	(18,720)	-	(18,720)	(18,138)	-	(18,138)
Total unquoted managed funds						
- at cost less impairment	23,961	-	23,961	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.

At 31 March 2014

6 INVESTMENT SECURITIES (continued)

	31 March 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 quoted shares	-	-	-	866	-	866
Total investment securities	47,407	71,739	119,146	68,661	38,365	107,026

7 INVESTMENT IN REAL ESTATE

	Self financed	
	31 March 2014	31 December 2013
	BD'000	BD'000
Lands	51,949	53,628
Buildings	4,591	4,591
	56,540	58,219

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

	31 March 2014	31 December 2013
	BD'000	BD'000
At 1 January	58,219	64,888
Disposal	(1,679)	(5,348)
Net loss from fair value adjustments	-	(1,321)
	56,540	58,219

8 OTHER ASSETS

	31 March 2014	31 December 2013
	BD'000	BD'000
Receivables	1,907	1,907
Staff advances	1,344	1,323
Income receivable	-	167
Prepaid expenses	442	608
Others	250	225
	3,943	4,230

At 31 March 2014

9 OTHER LIABILITIES

	31 March 2014 BD'000	31 December 2013 BD'000
Managers' cheques	6,669	2,924
Payable to vendors	3,635	3,097
Accrued expenses	2,516	2,645
Life insurance fees payable	1,831	1,819
Dividends payable	807	807
Zakah and charity fund	376	226
Others	2,388	2,090
	18,222	13,608

10 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:

	31 March 2014 BD'000	31 December 2013 BD'000
Letters of credit	3,592	3,910
Guarantees	9,458	11,618
Operating lease commitments *	343	463
	13,393	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.

11 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 31 March were as follows:

	2014				Total
	Shareholders	Associates and joint ventures	Directors and related entities	Senior management	
Assets					
Due from banks and financial institutions	-	9,487	-	-	9,487
Murabaha receivables*	-	-	1,216	-	1,216
Musharaka investments	-	-	856	-	856
Investment in associates	-	36,402	-	-	36,402
Other assets	-	-	-	277	277
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	1,391	547	198	2,136
Other liabilities	-	1,831	-	-	1,831
Customers' investment accounts	49,177	225	889	827	51,118

* An amount of BD 447 thousand was considered impaired and was partially provided for.

At 31 March 2014

11 RELATED PARTY TRANSACTIONS (continued)

	2014				
	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	-	41	28	-	69
Share of results of associates	-	96	-	-	96
Return on equity of investment accountholders	(195)	(3)	(4)	(7)	(209)
Expenses					
Other expenses	-	-	(116)	-	(116)
	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
	31 March 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	-	42	25	-	67
Share of results of associates	-	60	-	-	60
Return on equity of investment accountholders	-	(5)	(15)	(6)	(26)
Expenses					
Other expenses	-	-	(47)	-	(47)

Compensation of the key management personnel is as follows:

	Three months ended 31 March	
	2014 BD'000	2013 BD'000
Short term employee benefits	181	191
Other long term benefits	33	35
	214	226

12 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.

At 31 March 2014

12 FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 March 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>1,316</u>	<u>-</u>	<u>-</u>	<u>1,316</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 three-month period ended 31 March 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 71,739 thousand (2013: BD 38,365 thousand) are BD 74,673 thousand (2013: BD 40,033 thousand).

13 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.

At 31 March 2014

13 SEGMENTAL INFORMATION (continued)

Segment information is disclosed as follows:

	<i>For the three months ended 31 March 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	2,117	5,054	3,465	10,636
Total expenses	(861)	(3,739)	(787)	(5,387)
Impairment on investment in real estate	-	-	-	-
Net provision for impairment on financing and investments	(2,207)	(278)	(259)	(2,744)
Net profit for the period	(951)	1,037	2,419	2,505

Other information

	<i>31 March 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	201,129	298,695	385,410	885,234
Segment liabilities, and equity	274,438	449,771	161,025	885,234

	<i>For the three months ended 31 March 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	1,811	4,012	4,053	9,876
Total expenses	(1,020)	(3,056)	(623)	(4,699)
Impairment on investment in real estate	-	-	(41)	(41)
Net provision for impairment on financing and investments	(2,733)	(494)	(808)	(4,035)
Net (loss) / profit for the period	(1,942)	462	2,581	1,101

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.

14 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.