

**Bahrain Islamic Bank B.S.C.**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

**31 MARCH 2015**



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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

12 May 2015

### **Introduction**

We have reviewed the accompanying 31 March 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 31 March 2015;
- the condensed consolidated statement of income for the three-month period ended 31 March 2015;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2015;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2015;
- the condensed consolidated statement of sources and uses of good faith qard fund for the three-month period ended 31 March 2015;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the three-month period ended 31 March 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 31 March 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.

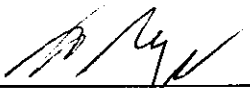
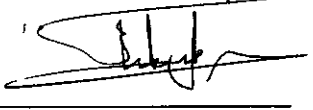

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Note	31 March 2015 BD'000 (reviewed)	31 December 2014 BD'000 (audited)
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		57,954	52,118
Placements with financial institutions		33,109	68,567
Financing assets		417,986	408,021
Investments securities	8	130,939	123,561
Ijarah Muntahia Bittamleek		107,541	102,277
Ijarah rental receivables		14,065	14,065
Investment in associates		30,472	30,835
Investment in real estate	9	48,060	53,934
Property and equipment		17,117	17,101
Other assets	10	4,809	4,728
<b>TOTAL ASSETS</b>		<b>862,052</b>	<b>875,207</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Placements from financial institutions		82,370	75,570
Customers' current accounts		147,966	137,423
Other liabilities	11	16,243	16,518
<b>Total Liabilities</b>		<b>246,579</b>	<b>229,511</b>
<b>Equity of Investment Accountholders</b>		<b>533,807</b>	<b>566,601</b>
<b>Owners' Equity</b>			
Share capital		94,907	93,967
Treasury shares		(563)	(563)
Shares under employee share incentive scheme	12	(879)	-
Share premium		30	-
Reserves		(11,829)	(14,320)
Equity attributable to owners of the parent		81,666	79,084
Non-controlling interest		-	11
<b>Total Owners' Equity</b>		<b>81,666</b>	<b>79,095</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>862,052</b>	<b>875,207</b>

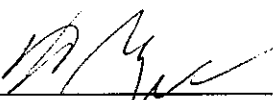
These condensed consolidated interim financial information, which consist of pages 2 to 14, were approved by the Board of Directors on 12 May 2015 and signed on its behalf by:

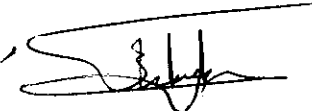
 Abdulrazaq Al Qassim Chairman	 Khalid Al Mannai Vice Chairman	 Mohammed Janahi Acting Chief Executive Officer
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**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

For the three months ended 31 March 2015

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2015</b>	2014
	<b>BD'000</b>	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
<b>INCOME</b>		
Income from financing	<b>7,450</b>	7,077
Income from investment in Sukuk	<b>903</b>	465
	<b>8,353</b>	7,542
Less: Return on equity of investment accountholders	<b>(1,322)</b>	(2,220)
	<b>7,031</b>	5,322
Expense on placements from financial institutions	<b>(56)</b>	(62)
Fee and commission income	<b>1,857</b>	1,371
Income from investments	<b>22</b>	2,945
Income from investment in real estate	<b>603</b>	789
Net share of (loss) / profits of associates	<b>(144)</b>	96
Net gain from foreign currencies	<b>433</b>	175
<b>Total income</b>	<b>9,746</b>	10,636
<b>EXPENSES</b>		
Staff costs	<b>2,230</b>	2,493
Depreciation	<b>402</b>	415
Other expenses	<b>2,196</b>	2,479
<b>Total expenses</b>	<b>4,828</b>	5,387
<b>Profit for the period before impairment allowances</b>	<b>4,918</b>	5,249
Impairment provisions on financing assets	<b>(1,874)</b>	(2,485)
Write back / (impairment provisions) on investments	<b>35</b>	(259)
<b>PROFIT FOR THE PERIOD</b>	<b>3,079</b>	2,505
<b>BASIC AND DILUTED EARNINGS PER SHARE (fils)</b>	<b>3.29</b>	2.68

  
 Abdulrazaq Al-Qassim  
 Chairman

  
 Khalid Al Mannai  
 Vice Chairman

  
 Mohammed Janahi  
 Acting Chief Executive Officer

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2015

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2015</b>	<b>2014</b>
	<b>BD'000</b>	<b>BD'000</b>
	<i>(reviewed)</i>	<i>(reviewed)</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	3,079	2,505
Adjustments for non-cash items:		
Depreciation	402	415
Impairment charge on investment in real estate	-	-
Impairment provision on financing assets	1,874	2,744
Write back from investments	(35)	-
Gain on sale of investment in Sukuk	(902)	(1)
Gain on sale of equity type instruments	-	(1,896)
Gain on sale of investment in real estate	(603)	(695)
Share of results of associates	144	(96)
Gain on foreign exchange revaluation	(234)	12
Operating profit before changes in operating assets and liabilities	<b>3,725</b>	2,988
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	-	220
Financing assets	(11,881)	(9,827)
Ijarah Muntahia Bittamleek assets	(5,221)	1,667
Other assets	(81)	287
Customers' current accounts	10,543	6,916
Other liabilities	(185)	4,614
Placements from financial institutions	6,800	(17,586)
Customers' investment accounts	(32,794)	(18,471)
Net cash used in operating activities	<b>(29,094)</b>	(29,192)
<b>INVESTING ACTIVITIES</b>		
Disposal of investment in real estate	6,121	1,547
Purchase of property and equipment	(418)	(471)
Purchase of investment securities	(25,290)	(33,689)
Proceeds from disposal of investment securities	19,059	20,487
Net cash used in investing activities	<b>(528)</b>	(12,126)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,622)</b>	(41,318)
Cash and cash equivalents at 1 January	<b>89,630</b>	145,410
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>60,008</b>	104,092
Cash and cash equivalents comprise:		
Cash on hand	8,456	7,004
Balances with CBB, excluding mandatory reserve deposits	7,365	2,904
Balances with banks and other financial institutions	11,078	6,372
Placements with financial institutions with original maturities of 90 days or less	33,109	87,812
	<b>60,008</b>	104,092

**Bahrain Islamic Bank B.S.C.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**

For the three months ended 31 March 2015

	Share capital BD'000	Treasury shares BD'000	Shares under employee share incentive scheme BD'000	Share premium BD'000	Statutory reserve BD'000	General reserve BD'000	Reserves			Equity attributable to owners			Non- controlling interest 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	of the parent BD'000	controlling interest BD'000			
<b>2015 - reviewed</b>															
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	-	-	-	-	-	-	-	-	3,079	3,079	3,079	-	3,079		
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(314)	-	(314)	(314)	-	(314)		
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)		
<b>Balance at 31 March 2015</b>	<b>94,907</b>	<b>(563)</b>	<b>(879)</b>	<b>30</b>	<b>11,809</b>	<b>1,000</b>	<b>7,087</b>	<b>787</b>	<b>(32,512)</b>	<b>(11,829)</b>	<b>81,666</b>	<b>-</b>	<b>81,666</b>		
<b>2014 - reviewed</b>															
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	-	-	-	-	-	-	-	-	2,505	2,505	2,505	-	2,505		
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(2,127)	-	(2,127)	(2,127)	-	(2,127)		
Net movement in real estate fair value reserve	-	-	-	-	-	-	(638)	-	-	(638)	(638)	-	(638)		
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(269)	(269)		
<b>Balance at 31 March 2014</b>	<b>93,967</b>	<b>(563)</b>	<b>-</b>	<b>-</b>	<b>10,879</b>	<b>1,000</b>	<b>10,663</b>	<b>2,121</b>	<b>(41,453)</b>	<b>(16,790)</b>	<b>76,614</b>	<b>973</b>	<b>77,587</b>		

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 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	3	(3)	-
Others (Waqf)	3	(3)	-
Total uses during the period	6	(6)	-
Repayments	(11)	11	-
<b>Balance at 31 March 2015</b>	<b>75</b>	<b>53</b>	<b>128</b>
2013			
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	-
<b>Balance at 31 March 2014</b>	<b>76</b>	<b>52</b>	<b>128</b>
		<b>31 March 2015 BD'000 (reviewed)</b>	<b>31 March 2014 BD'000 (reviewed)</b>
<b>Sources of Qard fund</b>			
Contribution by the Bank		125	125
Donation		3	3
Total of sources during the period		<b>128</b>	<b>128</b>

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 2015

	<b>31 March 2015 BD'000 (reviewed)</b>	<b>31 March 2014 BD'000 (reviewed)</b>
<b>Sources of Zakah and charity funds</b>		
Undistributed Zakah and charity funds at the beginning of the period	<b>282</b>	225
Non-Islamic income / late fee	<b>47</b>	135
Donations	<b>19</b>	150
Total sources of Zakah and charity funds during the period	<b>348</b>	510
<b>Uses of Zakah and charity funds</b>		
Philanthropic societies	<b>79</b>	73
Aid to needy families	<b>10</b>	61
Total uses of funds during the period	<b>89</b>	134
Undistributed Zakah and charity funds at the end of the period	<b>259</b>	376



31 March 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 both Abaad Real Estate Company B.S.C. (c) and 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 12 May 2015.

**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 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 three months ended 31 March 2014.

**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:

31 March 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**

	31 March 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
<b>i) Debt type instruments carried at amortised cost</b>						
Sukuk						
At 1 January	-	85,808	85,808	-	41,705	41,705
Acquisitions	-	25,290	25,290	-	50,229	50,229
Disposals and redemptions	-	(17,463)	(17,463)	-	(6,126)	(6,126)
	-	93,635	93,635	-	85,808	85,808
Provision for impairment	-	(3,951)	(3,951)	-	(3,974)	(3,974)
<b>Total net</b>	-	89,684	89,684	-	81,834	81,834
<b>ii) Equity type instruments carried at fair value through equity</b>						
<i>Quoted shares - at fair value</i>						
At 1 January	1,393	-	1,393	25,418	-	25,418
Fair value change	(59)	-	(59)	(2,235)	-	(2,235)
Disposals	-	-	-	(16,941)	-	(16,941)
Write off	-	-	-	(4,849)	-	(4,849)
<b>Total net</b>	1,334	-	1,334	1,393	-	1,393
<i>Unquoted shares - at cost less impairment</i>						
At 1 January	29,201	-	29,201	29,249	-	29,249
Disposals	-	-	-	(48)	-	(48)
	29,201	-	29,201	29,201	-	29,201
Provision for impairment	(7,721)	-	(7,721)	(7,721)	-	(7,721)
<b>Total net</b>	21,480	-	21,480	21,480	-	21,480
<i>Unquoted managed funds - at cost less impairment</i>						
At 1 January	36,541	-	36,541	43,808	-	43,808
Foreign currency translation changes	(694)	-	(694)	(1,242)	-	(1,242)
Disposals	(414)	-	(414)	(6,025)	-	(6,025)
	35,433	-	35,433	36,541	-	36,541
Provision for impairment	(16,992)	-	(16,992)	(17,687)	-	(17,687)
<b>Total net</b>	18,441	-	18,441	18,854	-	18,854

31 March 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.

	31 March 2015			31 December 2014		
	Self	Jointly	Total	Self	Jointly	Total
	financed	financed		financed	financed	
	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
Disposals	-	-	-	(866)	-	(866)
<b>Total net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net investments securities</b>	<b>41,255</b>	<b>89,684</b>	<b>130,939</b>	<b>41,727</b>	<b>81,834</b>	<b>123,561</b>

**9 INVESTMENT IN REAL ESTATE**

	Self financed	
	31 March 2015	31 December 2014
	BD'000	BD'000
Lands	45,465	51,339
Buildings	2,595	2,595
	<b>48,060</b>	<b>53,934</b>

**Movement on investment in real estate:**

	31 March 2015	31 December 2014
	BD'000	BD'000
Balance at beginning of period	53,934	58,219
Capitalized expenditure	-	257
Disposal	(5,874)	(7,799)
Fair Value Changes	-	3,257
<b>Balance at end of period</b>	<b>48,060</b>	<b>53,934</b>

**10 OTHER ASSETS**

	31 March 2015	31 December 2014
	BD'000	BD'000
Receivables	1,422	1,907
Staff advances	1,217	1,177
Prepaid expenses	661	658
Others	1,509	986
	<b>4,809</b>	<b>4,728</b>

31 March 2015

**11 OTHER LIABILITIES**

	<b>31 March 2015 BD'000</b>	<b>31 December 2014 BD'000</b>
Managers' cheques	6,063	4,150
Accrued expenses	2,724	3,334
Life insurance (Takaful) fees payable	1,960	1,928
Payable to vendors	1,189	3,039
Dividends payable	806	806
Zakah and charity fund	259	282
Others	3,242	2,979
	<b>16,243</b>	<b>16,518</b>

**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 pursuant to 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 and the necessary formalities for registering the shares is in progress. These unallocated shares under the Scheme are deducted from equity. Subsequent to the period ended 31 March 2015, 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:

	<b>31 March 2015 BD'000</b>	<b>31 December 2014 BD'000</b>
Letters of credit and acceptances	4,383	2,775
Guarantees	19,982	18,760
Operating lease commitments *	641	742
	<b>25,006</b>	<b>22,277</b>

\* 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 31 March were as follows:

	<b>2015</b>				<b>Total BD'000</b>
	<b>Shareholders BD'000</b>	<b>Associates and joint ventures BD'000</b>	<b>Directors and related entities BD'000</b>	<b>Senior management BD'000</b>	
<b>Assets</b>					
Placements with financial institutions	-	1,885	-	-	1,885
Financing assets	-	-	2,096	-	2,096
Investment in associates	-	30,472	-	-	30,472
Other assets	-	-	-	199	199
<b>Liabilities and Equity of investment accountholders</b>					
Customers' current accounts	-	1,454	731	87	2,272
Other liabilities	-	1,960	-	-	1,960
Equity of investment accountholders	46,089	125	715	862	47,791

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## 14 RELATED PARTY TRANSACTIONS (continued)

	2015				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Income</b>					
Income from financing	-	4	41	-	45
Share of results of associates	-	(144)	-	-	(144)
<b>Return on equity of investment accountholders</b>	(143)	(1)	(1)	(6)	(151)
<b>Expenses</b>					
Staff costs	-	-	-	(194)	(194)
Other expenses	-	-	(159)	-	(159)
	31 December 2014				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Assets</b>					
Placements with financial institutions	-	4,734	-	-	4,734
Financing assets	-	-	2,339	-	2,339
Investment in associates	-	30,835	-	-	30,835
Other assets	-	-	64	194	258
<b>Liabilities and Equity of investment accountholders</b>					
Customers' current accounts	-	1,277	594	49	1,920
Other liabilities	-	1,928	-	-	1,928
Equity of investment accountholders	45,639	425	457	591	47,112
	31 March 2014				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Income</b>					
Income from Islamic financing	-	41	28	-	69
Share of results of associates	-	96	-	-	96
<b>Return on equity of investment accountholders</b>	(195)	(3)	(4)	(7)	(209)
<b>Expenses</b>					
Staff costs	-	-	-	(214)	(214)
Other expenses	-	-	(116)	-	(116)

Compensation of the key management personnel is as follows:

	Three months ended	
	2015 BD'000	2014 BD'000
Short term employee benefits	160	181
Other long term benefits	34	33
	<b>194</b>	<b>214</b>

## 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.

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**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 31 March 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>
<b>Investments carried at fair value through equity</b>				
<i>Quoted securities</i>				
Equities	<u>1,334</u>	<u>-</u>	<u>-</u>	<u>1,334</u>
 31 December 2014	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Investments carried at fair value through equity</b>				
<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 three-month period ended 31 March 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 89,684 thousand (2014: BD 81,834 thousand) are BD 88,958 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.

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**16 SEGMENTAL INFORMATION (continued)**

Segment information is disclosed as follows:

*For the three months ended 31 March 2015*

	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total income	1,991	6,225	1,530	9,746
Total expenses	(765)	(3,506)	(557)	(4,828)
(Provision for impairment) / write back	(2,242)	368	35	(1,839)
<b>(Loss) / profit for the period</b>	<b>(1,016)</b>	<b>3,087</b>	<b>1,008</b>	<b>3,079</b>

**Other information***31 March 2015*

	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	212,476	368,913	280,663	862,052
Segment liabilities, and equity	227,336	466,145	168,571	862,052

*For the three months ended 31 March 2014*

	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total income	2,117	5,054	3,465	10,636
Total expenses	(861)	(3,739)	(787)	(5,387)
Provision for impairment	(2,207)	(278)	(259)	(2,744)
<b>(Loss) / profit for the period</b>	<b>(951)</b>	<b>1,037</b>	<b>2,419</b>	<b>2,505</b>

**Other information***31 December 2014*

	<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	161,481	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.