

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

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

**30 June 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 August 2014

### **Introduction**

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

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

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 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 six months ended 30 June 2013 which were reviewed by the same auditor whose report thereon dated 16 July 2013 expressed an unmodified conclusion.

# Bahrain Islamic Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	30 June 2014 BD'000 (reviewed)	31 December 2013 BD'000 (audited)
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		60,752	50,831
Due from banks and financial institutions		101,681	184,600
Murabaha receivables		301,299	256,038
Musharaka investments		99,608	90,767
Ijarah muntahia bittamleek		94,898	90,356
Investment securities	7	120,135	107,026
Investment in associates		36,744	36,236
Investment in real estate	8	55,978	58,219
Ijarah rental receivables		14,924	14,924
Property and equipment		17,168	17,067
Other assets	9	3,618	4,230
<b>TOTAL ASSETS</b>		<b>906,805</b>	<b>910,294</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Customers' current accounts		146,031	105,932
Other liabilities	10	19,115	13,608
<b>Total Liabilities</b>		<b>165,146</b>	<b>119,540</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>			
Financial institutions' investment accounts		85,436	95,144
Customers' investment accounts		576,904	617,494
<b>Total Equity of Investment Accountholders</b>		<b>662,340</b>	<b>712,638</b>
<b>Owners' Equity</b>			
Share capital		93,967	93,967
Treasury shares		(563)	(563)
Reserves		(14,703)	(16,530)
Attributable to equity holders of the parent		78,701	76,874
Non-controlling interest		618	1,242
<b>Total Owners' Equity</b>		<b>79,319</b>	<b>78,116</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>906,805</b>	<b>910,294</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	11	<b>21,890</b>	<b>15,991</b>

Abdulrazaq Al Qassim  
Chairman

Khalid Al Mannai  
Vice Chairman

Mohammed Ebrahim Mohammed  
Chief Executive Officer

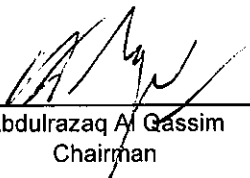
The attached notes 1 to 15 form part of this condensed consolidated interim financial information.

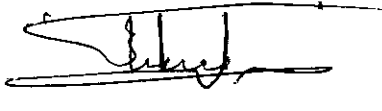
Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2014

	Three months ended 30 June		Six months ended 30 June	
	2014 BD'000 (reviewed)	2013 BD'000 (reviewed)	2014 BD'000 (reviewed)	2013 BD'000 (reviewed)
<b>INCOME</b>				
Income from financing	6,968	8,054	14,045	15,054
Income from investment in Sukuk	551	297	1,016	3,993
	<b>7,519</b>	<b>8,351</b>	<b>15,061</b>	<b>19,047</b>
Gross return to equity of investment accountholders	6,048	7,509	12,527	17,487
Group's share as a Mudarib	(4,109)	(4,480)	(8,306)	(11,367)
Return on equity of investment accountholders	<b>1,939</b>	<b>3,029</b>	<b>4,221</b>	<b>6,120</b>
Group's share of income from jointly financed assets	5,580	5,322	10,840	12,927
Fee and commission income	1,725	1,303	3,096	2,361
Net income from investments	354	1,121	1,497	1,298
Gain on sale of equity type instruments	-	83	1,896	728
Gain on sale of investment in real estate	415	-	1,110	-
Share of results of associates	(394)	146	(298)	206
Net gain from foreign currencies	147	(122)	322	209
<b>Total income</b>	<b>7,827</b>	<b>7,853</b>	<b>18,463</b>	<b>17,729</b>
<b>EXPENSES</b>				
Staff costs	2,485	2,667	4,978	5,204
Depreciation	411	348	826	701
Other expenses	2,378	1,827	4,857	3,636
<b>Total expenses</b>	<b>5,274</b>	<b>4,842</b>	<b>10,661</b>	<b>9,541</b>
<b>Net profit before impairment allowances</b>	<b>2,553</b>	<b>3,011</b>	<b>7,802</b>	<b>8,188</b>
Impairment on investment in real estate	-	-	-	(41)
Provision for impairment on financing and investments	(2,632)	(1,711)	(7,946)	(6,440)
Write back of impairment provision on financing and investments	1,624	-	4,194	694
<b>NET PROFIT FOR THE PERIOD</b>	<b>1,545</b>	<b>1,300</b>	<b>4,050</b>	<b>2,401</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (fils)</b>	<b>1.65</b>	<b>1.39</b>	<b>4.33</b>	<b>2.57</b>

  
Abdulrazaq Al Qassim  
Chairman

  
Khalid Al Mannai  
Vice Chairman

  
Mohammed Ibrahim Mohammed  
Chief Executive Officer

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2,014</b>	2013
	<b>BD'000</b>	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	<b>4,050</b>	2,401
Adjustments for non-cash items:		
Depreciation	<b>826</b>	701
Impairment on investment in real estate	-	41
Net provision for impairment on financing and investments	<b>3,752</b>	5,746
Loss / (gain) on sale of investment in Sukuk	<b>3</b>	(3,420)
Gain on sale of equity type instruments	<b>(1,896)</b>	(728)
Gain on sale of investment in real estate	<b>(1,110)</b>	-
Share of results of associates	<b>298</b>	(206)
Unrealised gain on equity type instruments carried at fair value through statement of income	-	3
Operating profit before changes in operating assets and liabilities	<b>5,923</b>	4,538
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	<b>295</b>	30
Due from banks and financial institutions	<b>57,281</b>	(18,924)
Murabaha receivables	<b>(51,853)</b>	(13,413)
Musharaka investments	<b>(5,866)</b>	1,013
Other assets	<b>617</b>	(57)
Customers' current accounts	<b>40,099</b>	17,560
Other liabilities	<b>5,507</b>	2,930
Net cash from / (used in) operating activities	<b>52,003</b>	(6,323)
<b>INVESTING ACTIVITIES</b>		
Net disposal / (additions) of investment in real estate	<b>2,241</b>	(30)
Net (additions) / disposal of Ijarah Muntahia Bittamleek assets	<b>(4,962)</b>	1,676
Dividends from investment in associates	<b>70</b>	-
Purchase of property and equipment	<b>(927)</b>	(1,639)
Purchase of investment securities	<b>(42,235)</b>	(12,191)
Proceeds from disposal of investment securities	<b>28,687</b>	29,441
Net cash (used in) / from investing activities	<b>(17,126)</b>	17,257
<b>FINANCING ACTIVITIES</b>		
Financial institutions' investment accounts	<b>(9,708)</b>	(30,933)
Customers' investment accounts	<b>(40,590)</b>	(32,885)
Net cash used in financing activities	<b>(50,298)</b>	(63,818)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,421)</b>	(52,884)
Cash and cash equivalents at 1 January	<b>145,410</b>	119,893
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>129,989</b>	67,009
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash on hand	<b>7,382</b>	6,593
Balances with CBB, excluding mandatory reserve deposits	<b>6,132</b>	3,309
Balances with banks and other financial institutions	<b>14,794</b>	10,258
Due from banks and financial institutions with original maturities less than 90 days	<b>101,681</b>	46,849
	<b>129,989</b>	67,009

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

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

For the six months ended 30 June 2014

	Reserves						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	Equity attributable to equity holders of the parent	Non-controlling interest	Total owners' equity
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
<i>(Reviewed)</i>											
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	-	-	-	-	-	-	4,050	4,050	4,050	-	4,050
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	(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)
<b>Balance at 30 June 2014</b>	<b>93,967</b>	<b>(563)</b>	<b>10,879</b>	<b>1,000</b>	<b>11,450</b>	<b>1,876</b>	<b>(39,908)</b>	<b>(14,703)</b>	<b>78,701</b>	<b>618</b>	<b>79,319</b>
<i>(Reviewed)</i>											
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	-	-	-	-	-	-	2,401	2,401	2,401	-	2,401
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	637	-	637	637	-	637
Balance at 30 June 2013	93,967	(563)	10,268	1,000	13,259	1,923	(47,053)	(20,603)	72,801	-	72,801

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

# Bahrain Islamic Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF GOOD FAITH QARD FUND

For the six months ended 30 June 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>
<b>2014</b>			
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	-
<b>Balance at 30 June 2014</b>	<b>76</b>	<b>52</b>	<b>128</b>
<b>2013</b>			
Balance at 1 January 2013	15	113	128
Uses of Qard fund			
Marriage	28	(28)	-
Sunni Waqf	60	(60)	-
Total uses during the period	88	(88)	-
Repayments	(15)	15	-
<b>Balance at 30 June 2013</b>	<b>88</b>	<b>40</b>	<b>128</b>
		<b>30 June 2014 BD'000 (reviewed)</b>	<b>30 June 2013 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 six months ended 30 June 2014

	<b>30 June 2014 BD'000 (reviewed)</b>	<b>30 June 2013 BD'000 (reviewed)</b>
<b>Sources of Zakah and charity funds</b>		
Undistributed Zakah and charity funds at the beginning of the period	<b>226</b>	154
Non-Islamic income / late fee	<b>335</b>	536
Donations	<b>150</b>	-
Total sources of Zakah and charity funds during the period	<b>711</b>	690
<b>Uses of Zakah and charity funds</b>		
Philanthropic societies	<b>294</b>	277
Aid to needy families	<b>168</b>	184
Total uses of funds during the period	<b>462</b>	461
Undistributed Zakah and charity funds at the end of the period	<b>249</b>	229



At 30 June 2014

## **1 REPORTING ENTITY**

Bahrain Islamic Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain in the year 1979 by Amiri Decree No.2 of 1979, under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank operates under a retail banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Bank is listed on Bahrain Bourse.

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

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

The Bank holds 100% of the share capital of both Abaad Real Estate Company B.S.C. (c) and BisB MMF Company B.S.C. (c), and 86% 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 11/08/2014

## **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 2014 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed consolidated interim financial information do not contain all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013.

The condensed consolidated interim financial information is reviewed not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2013 and comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, sources and uses of good faith qard fund and sources and uses of Zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the six months ended 30 June 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 30 June 2014

**4 FINANCIAL RISK MANAGEMENT**

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

**5 JUDGMENT AND ESTIMATES**

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same as applied to the consolidated financial statements as at and for the year ended 31 December 2013.

**6 SEASONALITY**

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

**7 INVESTMENT SECURITIES**

	30 June 2014			31 December 2013		
	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	-	41,705	41,705	-	44,406	44,406
Acquisitions	-	42,235	42,235	-	18,947	18,947
Disposals and redemptions	-	(5,015)	(5,015)	-	(21,648)	(21,648)
	-	78,925	78,925	-	41,705	41,705
Net provision for impairment	-	(3,347)	(3,347)	-	(3,340)	(3,340)
Total Sukuk	-	75,578	75,578	-	38,365	38,365
<b>ii) Equity type instruments carried at fair value through equity</b>						
<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	(2,158)	-	(2,158)	2,186	-	2,186
Disposals	(16,941)	-	(16,941)	(5,198)	-	(5,198)
Write off	(4,849)	-	(4,849)	-	-	-
	2,546	-	2,546	26,494	-	26,494
Net provision for impairment	(1,076)	-	(1,076)	(6,499)	-	(6,499)
Total quoted shares - at fair value	1,470	-	1,470	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	(16)	-	(16)	-	-	-
Disposals	(4,743)	-	(4,743)	(7,546)	-	(7,546)
Write off	-	-	-	-	-	-
	39,049	-	39,049	43,808	-	43,808
Net provision for impairment	(18,092)	-	(18,092)	(18,138)	-	(18,138)
Total unquoted managed funds - at cost less impairment	20,957	-	20,957	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 30 June 2014

## 7 INVESTMENT SECURITIES (continued)

	30 June 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	<u>44,557</u>	<u>75,578</u>	<u>120,135</u>	<u>68,661</u>	<u>38,365</u>	<u>107,026</u>

## 8 INVESTMENT IN REAL ESTATE

	Self financed	
	30 June 2014	31 December 2013
	BD'000	BD'000
Lands	51,387	53,628
Buildings	4,591	4,591
	<u>55,978</u>	<u>58,219</u>

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

	30 June 2014	31 December 2013
	BD'000	BD'000
At 1 January	58,219	64,888
Capitalized expenditure	178	-
Disposal	(2,419)	(5,348)
Net loss from fair value adjustments	-	(1,321)
	<u>55,978</u>	<u>58,219</u>

## 9 OTHER ASSETS

	30 June 2014	31 December 2013
	BD'000	BD'000
Receivables	1,907	1,907
Staff advances	1,361	1,323
Income receivable	-	167
Prepaid expenses	138	608
Others	212	225
	<u>3,618</u>	<u>4,230</u>

At 30 June 2014

**10 OTHER LIABILITIES**

	<b>30 June 2014 BD'000</b>	<b>31 December 2013 BD'000</b>
Managers' cheques	5,979	2,924
Payable to vendors	5,453	3,097
Accrued expenses	2,224	2,645
Life insurance fees payable	1,964	1,819
Dividends payable	806	807
Zakah and charity fund	249	226
Others	2,440	2,090
	<b>19,115</b>	<b>13,608</b>

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

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

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

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

	<b>30 June 2014 BD'000</b>	<b>31 December 2013 BD'000</b>
Letters of credit	4,367	3,910
Guarantees	17,355	11,618
Operating lease commitments *	168	463
	<b>21,890</b>	<b>15,991</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.

**12 RELATED PARTY TRANSACTIONS**

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

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

	<b>2014</b>				<b>Total</b>
	<b>Shareholders</b>	<b>Associates and joint ventures</b>	<b>Directors and related entities</b>	<b>Senior management</b>	
<b>Assets</b>					
Due from banks and financial institutions	-	5,920	-	-	5,920
Murabaha receivables*	-	-	1,417	-	1,417
Musharaka investments	-	-	839	-	839
Investment in associates	-	35,547	-	-	35,547
Other assets	-	-	27	277	304
<b>Liabilities and Equity of investment accountholders</b>					
Customers' current accounts	-	888	662	146	1,696
Other liabilities	-	1,964	-	-	1,964
Customers' investment accounts	49,422	691	415	777	51,305

\* An amount of BD 508 thousand was considered impaired and was partially provided for.

At 30 June 2014

**13 FINANCIAL INSTRUMENTS (continued)**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 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>
<b>Investments carried at fair value through equity</b>				
<i>Quoted securities</i>				
Equities	<u>1,470</u>	<u>-</u>	<u>-</u>	<u>1,470</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>
<b>Investments carried at fair value through statement of income</b>				
<i>Quoted securities</i>				
Equities	866	-	-	866
<b>Investments carried at fair value through equity</b>				
<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 six-month period ended 30 June 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 75,578 thousand (2013: BD 38,365 thousand) are BD 70,885 thousand (2013: BD 40,033 thousand).

**14 SEGMENTAL INFORMATION**

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

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

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

At 30 June 2014

**14 SEGMENTAL INFORMATION (continued)**

Segment information is disclosed as follows:

*For the six months ended 30 June 2014*

	<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)
Net (provision for impairment on) / write back from financing and investments	(4,117)	39	326	(3,752)
<b>Net profit for the period</b>	<b>(1,683)</b>	<b>3,281</b>	<b>2,452</b>	<b>4,050</b>

**Other information**

	<i>30 June 2014</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	227,568	325,033	354,204	906,805
Segment liabilities, and equity	277,648	457,911	171,246	906,805

*For the six months ended 30 June 2013*

	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total income	4,539	8,500	4,690	17,729
Total expenses	(1,498)	(6,702)	(1,341)	(9,541)
Impairment on investment in real estate	-	-	(41)	(41)
Net provision for impairment on financing and investments	(4,444)	(494)	(808)	(5,746)
<b>Net (loss) / profit for the period</b>	<b>(1,403)</b>	<b>1,304</b>	<b>2,500</b>	<b>2,401</b>

**Other information**

	<i>31 December 2013</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	205,594	287,777	416,923	910,294
Segment liabilities, and equity	298,522	433,083	178,689	910,294

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

**15 COMPARATIVES**

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