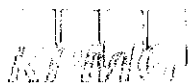


**Bahrain Islamic Bank B.S.C.**  
**CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
31 MARCH 2016



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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

2 May 2016

### **Introduction**

We have reviewed the accompanying 31 March 2016 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 2016;
- the condensed consolidated statement of income for the three-month period ended 31 March 2016;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2016;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2016;
- the condensed consolidated statement of sources and uses of good faith qard fund for the three-month period ended 31 March 2016;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the three-month period ended 31 March 2016; 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 2016 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.

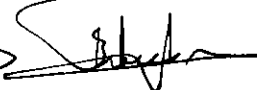
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

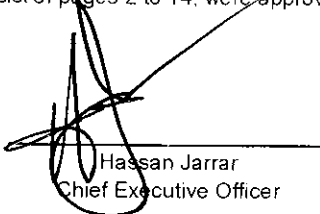
As At 31 March 2016

	Note	31 March 2016 BD'000 (reviewed)	31 December 2015 BD'000 (audited)
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		61,547	61,114
Placements with financial institutions		41,537	73,150
Financing assets	6	494,767	475,648
Investments securities	7	142,460	130,635
Ijarah Muntahia Bittamleek		126,072	118,061
Ijarah rental receivables		15,692	15,692
Investment in associates		28,049	28,116
Investment in real estate	8	43,348	43,601
Property and equipment		16,477	16,640
Other assets	9	12,262	13,691
<b>TOTAL ASSETS</b>		<b>982,211</b>	<b>976,348</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Placements from financial institutions		108,714	93,516
Customers' current accounts		159,876	157,300
Other liabilities	10	18,765	16,616
<b>Total Liabilities</b>		<b>287,355</b>	<b>267,432</b>
<b>Equity of Investment Accountholders</b>		<b>583,163</b>	<b>599,404</b>
<b>Owners' Equity</b>			
Share capital		101,339	97,441
Treasury shares		(563)	(563)
Shares under employee share incentive scheme		(604)	(879)
Share premium		56	2,794
Reserves		11,465	10,719
<b>Total Owners' Equity</b>		<b>111,693</b>	<b>109,512</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>982,211</b>	<b>976,348</b>

This condensed consolidated interim financial information, which consist of pages 2 to 14, were approved by the Board of Directors on 2 May 2016 and signed on its behalf by:

  
 Essam Fakhro  
 Chairman

  
 Khalid Al Mannai  
 Vice Chairman


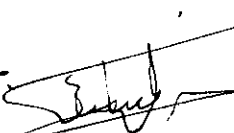
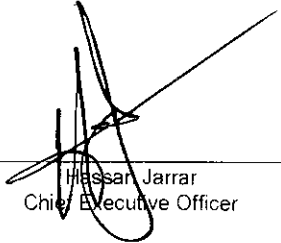
  
 Hassan Jarrar  
 Chief Executive Officer

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2016

	<i>Three months ended 31 March</i>	
	<b>2016</b> <i>BD'000</i> <i>(reviewed)</i>	<i>2015</i> <i>BD'000</i> <i>(reviewed)</i>
<b>INCOME</b>		
Income from financing	8,438	7,450
Income from investment in Sukuk	948	903
	<b>9,386</b>	<b>8,353</b>
Return on equity of investment accountholders	<b>(6,195)</b>	(5,521)
Group's share as Mudarib	<b>4,669</b>	4,199
Net return on equity of investment accountholders	<b>(1,526)</b>	(1,322)
<b>Net financing income</b>	<b>7,860</b>	7,031
Expense on placements from financial institutions	<b>(291)</b>	(56)
Fee and commission income	<b>1,836</b>	1,857
Income from investments securities	-	22
Income from investment in real estate	<b>170</b>	603
Share of results of associates, net	<b>(181)</b>	(144)
Net gain from foreign currencies	<b>228</b>	433
<b>Total net income</b>	<b>9,622</b>	<b>9,746</b>
<b>EXPENSES</b>		
Staff costs	<b>2,966</b>	2,230
Depreciation	<b>380</b>	402
Other expenses	<b>2,676</b>	2,196
<b>Total expenses</b>	<b>6,022</b>	<b>4,828</b>
<b>Profit before impairment allowances</b>	<b>3,600</b>	4,918
Impairment provision on financing assets	<b>(519)</b>	(1,874)
(Impairment charge) / write back of provision on investments	<b>(1,370)</b>	35
<b>PROFIT FOR THE PERIOD</b>	<b>1,711</b>	<b>3,079</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (fiIs)</b>	<b>1.71</b>	<b>3.71</b>

 _____ Essam Fakhro Chairman	 _____ Khalid Al Mannai Vice Chairman	 _____ Hossam Jarrar Chief Executive Officer
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Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2016

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2016</b>	2015
	<i>BD'000</i>	<i>BD'000</i>
	<i>(reviewed)</i>	<i>(reviewed)</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	1,711	3,079
Adjustments for non-cash items:		
Depreciation	380	402
Impairment provision on financing assets	519	1,874
Impairment charge / (write back) of provision on investments	1,370	(35)
Gain on sale of investment in Sukuk	-	(902)
Gain on sale of investment in real estate	(80)	(603)
Share of results of associates	181	144
Gain on foreign exchange revaluation	-	(234)
Operating profit before changes in operating assets and liabilities	<b>4,081</b>	3,725
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	915	-
Financing assets	(19,816)	(11,881)
Ijarah Muntahia Bittamleek	(7,909)	(5,221)
Other assets	1,524	(81)
Customers' current accounts	2,576	10,543
Other liabilities	2,526	(185)
Placements from financial institutions	15,198	6,800
Customers' investment accounts	(16,241)	(32,794)
<b>Net cash used in operating activities</b>	<b>(17,146)</b>	(29,094)
<b>INVESTING ACTIVITIES</b>		
Disposal of investment in real estate	333	6,121
Purchase of property and equipment	(217)	(418)
Purchase of investment securities	(35,329)	(25,290)
Proceeds from disposal of investment securities	22,117	19,059
<b>Net cash used in investing activities</b>	<b>(13,096)</b>	(528)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(23)	-
<b>Net cash used in financing activities</b>	<b>(23)</b>	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(30,265)</b>	(29,622)
Cash and cash equivalents at 1 January	100,199	89,630
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>69,934</b>	60,008
Cash and cash equivalents comprise of:		
Cash on hand	13,777	8,456
Balances with CBB, excluding mandatory reserve deposits	4,990	7,365
Balances with banks and other financial institutions	9,630	11,078
Placements with financial institutions with original maturities less than 90 days	41,537	33,109
	<b>69,934</b>	60,008

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

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

For the three months ended 31 March 2016

	Share capital BD'000	Treasury shares BD'000	Shares under employee incentive scheme BD'000	Share premium BD'000	Statutory reserve BD'000	General reserve BD'000	Reserves		Equity attributable to owners of the parent			Total owners' equity BD'000	
							Real estate fair value reserve BD'000	Investments fair value reserve BD'000	Retained earnings BD'000	Total reserves BD'000	Non-controlling interest BD'000		Total
<b>2016 - reviewed</b>													
Balance at 1 January 2016	97,441	(563)	(879)	2,794	1,121	-	7,085	621	1,892	10,719	109,512	-	109,512
<b>Profit for the period</b>													
Bonus shares	3,898	-	(23)	(2,794)	-	-	-	-	1,711	1,711	1,711	-	1,711
Shares allocated during the period	-	-	298	56	-	-	-	-	(1,081)	(1,081)	-	-	-
Net movement in investments fair value reserve	-	-	-	-	-	-	-	-	-	-	354	-	354
<b>Balance at 31 March 2016</b>	<b>101,339</b>	<b>(563)</b>	<b>(604)</b>	<b>56</b>	<b>1,121</b>	<b>-</b>	<b>7,085</b>	<b>737</b>	<b>2,522</b>	<b>11,465</b>	<b>111,693</b>	<b>-</b>	<b>111,693</b>
<b>2015 - reviewed</b>													
Balance at 1 January 2015	93,067	(563)	-	-	11,800	1,000	7,361	1,101	(35,561)	(4,320)	70,084	11	70,095
Profit for the period	-	-	-	-	-	-	-	-	3,079	3,079	3,079	-	3,079
Shares issued during the period	340	-	(340)	-	-	-	-	-	-	-	-	-	-
Shares allocated during the period	-	-	61	30	-	-	-	-	-	-	51	-	51
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(314)	-	(314)	(314)	-	(314)
Net movement in real estate fair value reserve	-	-	-	-	-	-	(274)	-	-	(274)	(274)	-	(274)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Balance at 31 March 2015	94,907	(563)	(879)	30	11,809	1,000	7,087	767	(32,512)	(1,829)	81,666	-	81,666

The accompanying 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 three months ended 31 March 2016

	<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 2016	60	68	128
Uses of Qard fund			
Marriage	3	(3)	-
Others (Waqf)	15	(15)	-
Total uses during the period	18	(18)	-
Repayments	(4)	4	-
<b>Balance at 31 March 2016</b>	<b>74</b>	<b>54</b>	<b>128</b>
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>
		<b>31 March 2016 BD'000 (reviewed)</b>	<b>31 March 2015 BD'000 (reviewed)</b>
<b>Sources of Qard fund</b>			
Contribution by the Bank		125	125
Donation		3	3
		<b>128</b>	<b>128</b>

The accompanying 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 ZAKAH AND CHARITY FUND**

For the three months ended 31 March 2016

	<b>31 March 2016 BD'000 (reviewed)</b>	<b>31 March 2015 BD'000 (reviewed)</b>
<b>Sources of Zakah and charity funds</b>		
Undistributed Zakah and charity funds at the beginning of the period	<b>472</b>	282
Non-Islamic income / late payment fee	<b>38</b>	47
Donations	<b>1</b>	19
Total sources of Zakah and charity funds during the period	<b>511</b>	348
<b>Uses of Zakah and charity funds</b>		
Philanthropic societies	<b>15</b>	79
Aid to needy families	<b>84</b>	10
Total uses of funds during the period	<b>99</b>	89
<b>Undistributed zakah and charity funds at the end of the period</b>	<b>412</b>	259



31 March 2016

**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 ten branches (2015: ten), all operating in the Kingdom of Bahrain.

The consolidated financial statements include the financial statements of the Bank and its subsidiaries (together the "Group"). The Bank holds 100% of the share capital of Abaad Real Estate Company B.S.C. (c).

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 activity of Abaad is the investment in real estate (in accordance with the Islamic Shari'a rules and principles).

**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 2016 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 2015.

**3 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 2015.

**4 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 2015.

**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 2015.

**6 FINANCING ASSETS**

	<i>Jointly financed</i>	
	<i>31 March 2016 BD'000</i>	<i>31 December 2015 BD'000</i>
Murabaha	460,616	442,974
Musharaka	140,005	139,278
<b>Gross financing assets</b>	<b>600,621</b>	<b>582,252</b>
Deferred profits	(78,116)	(79,323)
Provision for impairment	(27,738)	(27,281)
	<b>494,767</b>	<b>475,648</b>

31 March 2016

## 7 INVESTMENT SECURITIES

	31 March 2016			31 December 2015		
	Self	Jointly	Total	Self	Jointly	Total
	financed	financed		financed	financed	
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
<b>i) Debt type instruments</b>						
<i>Sukuk - carried at amortised cost</i>						
At 1 January	-	100,781	100,781	-	85,808	85,808
Acquisitions	-	35,329	35,329	-	52,546	52,546
Disposals and redemptions	-	(22,122)	(22,122)	-	(37,573)	(37,573)
At 31 March	-	113,988	113,988	-	100,781	100,781
Provision for impairment	-	(5,977)	(5,977)	-	(4,914)	(4,914)
<b>Total net Sukuk</b>	-	<b>108,011</b>	<b>108,011</b>	-	<b>95,867</b>	<b>95,867</b>
<b>ii) Equity type instruments</b>						
<i>Quoted shares - at fair value through equity</i>						
At 1 January	1,019	-	1,019	1,393	-	1,393
Fair value change	(158)	-	(158)	(374)	-	(374)
Disposals	-	-	-	-	-	-
Write off	-	-	-	-	-	-
Total net	<b>861</b>	-	<b>861</b>	1,019	-	1,019
<i>Unquoted shares - at cost less impairment</i>						
At 1 January	24,963	-	24,963	29,201	-	29,201
Disposals	-	-	-	-	-	-
Write off	-	-	-	(4,238)	-	(4,238)
At 31 March	24,963	-	24,963	24,963	-	24,963
Provision for impairment	(5,542)	-	(5,542)	(5,418)	-	(5,418)
Total net	<b>19,421</b>	-	<b>19,421</b>	19,545	-	19,545
<i>Unquoted managed funds - at cost less impairment</i>						
At 1 January	14,444	-	14,444	36,541	-	36,541
Foreign currency translation changes	5	-	5	(301)	-	(301)
Disposals	-	-	-	(5,809)	-	(5,809)
Write off	-	-	-	(15,987)	-	(15,987)
At 31 March	14,449	-	14,449	14,444	-	14,444
Provision for impairment	(282)	-	(282)	(240)	-	(240)
Total net	<b>14,167</b>	-	<b>14,167</b>	14,204	-	14,204
<b>Total net investment securities</b>	<b>34,449</b>	<b>108,011</b>	<b>142,460</b>	<b>34,768</b>	<b>95,867</b>	<b>130,635</b>

Bahrain Islamic Bank B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2016

8 INVESTMENT IN REAL ESTATE

	<i>Self financed</i>	
	<i>31 March 2016 BD'000</i>	<i>31 December 2015 BD'000</i>
Lands	40,753	41,006
Buildings	2,595	2,595
	<b>43,348</b>	<b>43,601</b>
	<i>31 March 2016 BD'000</i>	<i>31 December 2015 BD'000</i>
At 1 January	43,601	53,934
Capitalized expenditure	-	1,092
Disposal	(253)	(10,814)
Fair value changes	-	(611)
<b>Balance at the end of period</b>	<b>43,348</b>	<b>43,601</b>

Investment in real estate comprises properties located in the Kingdom of Bahrain and the United Arab Emirates.

9 OTHER ASSETS

	<i>31 March 2016 BD'000</i>	<i>31 December 2015 BD'000</i>
Repossessed assets	5,245	5,245
Receivables	3,445	4,761
Staff advances	1,403	1,324
Prepaid expenses	475	696
Other	1,694	1,665
	<b>12,262</b>	<b>13,691</b>

10 OTHER LIABILITIES

	<i>31 March 2016 BD'000</i>	<i>31 December 2015 BD'000</i>
Managers' cheques	5,662	3,786
Accrued expenses	2,883	3,312
Life insurance (Takaful) fees payable	1,784	1,844
Payable to vendors	1,836	1,626
Dividends payable	779	802
Zakah and charity fund	412	472
Other	5,409	4,774
	<b>18,765</b>	<b>16,616</b>

31 March 2016

**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>31 March 2016 BD'000</b>	<b>31 December 2015 BD'000</b>
Letters of credit and acceptances	6,874	2,918
Guarantees	42,891	40,971
Operating lease commitments *	1,156	1,238
	<b>50,921</b>	<b>45,127</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 comprise of major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership or directors with that of the Bank. The transactions with these parties were made on commercial terms.

The significant balances and transactions with related parties at 31 March were as follows:

	<b>2016</b>				
	<i>Shareholders</i>	<i>Associates and joint ventures</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
<b>Assets</b>					
Financing assets	-	-	1,792	-	1,792
Investment in associates	-	28,049	-	-	28,049
Other assets	-	-	-	222	222
<b>Liabilities and Equity of investment accountholders</b>					
Placements from financial institutions	37,700	-	-	-	37,700
Customers' current accounts	-	893	499	216	1,609
Other liabilities	-	1,784	443	-	2,227
	<b>2016</b>				
	<i>Shareholders</i>	<i>Associates and joint ventures</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
<b>Income</b>					
Income from financing	-	-	18	-	18
Share of results of associates' net	-	(181)	-	-	(181)
<b>Return on equity of investment accountholders</b>	(185)	-	(3)	(8)	(195)
<b>Expense on placements from financial institutions</b>	(153)	-	-	-	(153)
<b>Expenses</b>					
Staff costs	-	-	-	(352)	(352)
Other expenses	-	-	(178)	-	(178)

31 March 2016

## 12 RELATED PARTY TRANSACTIONS (continued)

	31 December 2015				Total BD'000
	Shareholders BD'000	Associates and joint ventures	Directors and related entities	Senior management	
		BD'000	BD'000	BD'000	
<b>Assets</b>					
Financing assets	-	-	2 074	17	2 091
Investment in associates	-	28 116	-	-	28 116
Other assets	-	-	-	201	201
<b>Liabilities and Equity of investment accountholders</b>					
Placements from financial institutions	37,700	-	-	-	37,700
Customers' current accounts	-	968	520	247	1 735
Other liabilities	-	1,844	64	-	1,908
Equity of investment accountholders	41 567	275	1,255	917	44 014
	31 March 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, net	-	(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)

Compensation of the key management personnel is as follows:

	Three months ended 31 March	
	2016	2015
	BD'000	BD'000
Short term employee benefits	299	160
Other long term benefits	53	34
	<b>352</b>	<b>194</b>

## 13 FINANCIAL INSTRUMENTS

**Fair value hierarchy**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

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.

## Bahrain Islamic Bank B.S.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2016

#### 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 31 March 2016:

	<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>				
Quoted equity securities	<u>861</u>	<u>-</u>	<u>-</u>	<u>861</u>
<b>31 December 2015</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Investments carried at fair value through equity</b>				
Quoted equity securities	<u>1,019</u>	<u>-</u>	<u>-</u>	<u>1,019</u>

#### Transfers between Level 1, Level 2 and Level 3

During the three-month period ended 31 March 2016 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 carrying values of other financial assets and liabilities are not significantly different from their fair values at 31 March 2016, except for the Group's investments in Sukuk held at amortised cost amounting to BD 108,011 thousand (2015: BD 95,867 thousand) with fair values amounting to BD 108,887 thousand (2015: BD 95,915 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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14 SEGMENTAL INFORMATION (continued)

Segment information is disclosed as follows:

	<i>For the three months ended 31 March 2016</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total income	2,306	6,554	762	9,622
Total expenses	(943)	(4,404)	(675)	(6,022)
Provision for impairment	(275)	(244)	(1,370)	(1,889)
<b>Profit / (loss) for the period</b>	<b>1,088</b>	<b>1,906</b>	<b>(1,283)</b>	<b>1,711</b>

Other information

	<i>31 March 2016</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	255,559	425,156	301,496	982,211
Segment liabilities, and equity	265,089	491,703	225,419	982,211

	<i>For the three months ended 31 March 2015</i>			
	<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>Profit / (loss) for the period</b>	<b>(1,016)</b>	<b>3,087</b>	<b>1,008</b>	<b>3,079</b>

Other information

	<i>31 December 2015</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	239,128	416,251	320,969	976,348
Segment liabilities, and equity	277,850	490,128	208,370	976,348

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 for the period or total equity.