

Al Salam Bank-Bahrain B.S.C.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2014



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AL SALAM BANK-BAHRAIN B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Al Salam Bank-Bahrain B.S.C. ("the Bank") and its subsidiaries (together "the Group") as at 31 March 2014, comprising of the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of income, cash flows and changes in owners' equity for the three month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 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 International Standards on Auditing. Consequently, it 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 interim condensed consolidated financial statements are not prepared, in all material aspects, in accordance with the accounting policies disclosed in note 2.

5 May 2014

Manama, Kingdom of Bahrain

Al Salam Bank-Bahrain B.S.C.

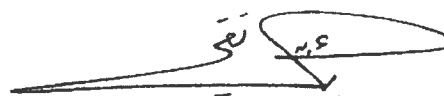
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014 (reviewed)

		<i>(Reviewed)</i> 31 March 2014 BD '000	<i>(Audited)</i> 31 December 2013 BD '000
ASSETS			
Cash and balances with banks and Central Bank of Bahrain		194,281	86,097
Central Bank of Bahrain Sukuk		124,700	102,937
Murabaha and Wakala receivables from banks		158,198	118,227
Corporate Sukuk		99,812	91,106
Murabaha financing		189,971	147,616
Mudaraba financing		135,998	114,084
Ijarah Muntahia Bittamleek		113,672	110,631
Musharaka		19,592	19,145
Assets under conversion	4	496,947	-
Non-trading investments	5	126,353	125,923
Investment properties		79,782	77,736
Development properties		54,313	63,399
Investment in associates		11,272	8,537
Other assets	6	30,625	22,814
Assets held-for-sale	7	45,255	-
Goodwill	3	12,773	-
TOTAL ASSETS		1,893,544	1,088,252
LIABILITIES, EQUITY OF INVESTMENT			
ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		158,184	106,796
Wakala payables to non-banks		713,578	584,365
Customers' current accounts		186,671	70,532
Term financing		23,827	23,637
Liabilities under conversion	4	410,205	-
Liabilities relating to assets held-for-sale	7	26,066	-
Other liabilities		36,515	30,979
TOTAL LIABILITIES		1,555,046	816,309
EQUITY OF INVESTMENT ACCOUNTHOLDERS		30,547	25,846
OWNERS' EQUITY			
Share capital	8	214,093	149,706
Treasury stock		(492)	(492)
Reserves and retained earnings		90,671	78,580
Proposed appropriations		-	7,485
Total equity attributable to shareholders of the Bank		304,272	235,279
Non-controlling interest		3,679	10,818
TOTAL OWNERS' EQUITY		307,951	246,097
TOTAL LIABILITIES, EQUITY OF INVESTMENT		1,893,544	1,088,252
ACCOUNTHOLDERS AND OWNERS' EQUITY		1,893,544	1,088,252



Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board



Yousif A. Taqi
Director and Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

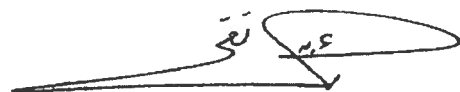
INTERIM CONSOLIDATED INCOME STATEMENT

For the three months period ended 31 March 2014 (reviewed)

	31 March 2014	31 March 2013
Note	BD '000	BD '000
OPERATING INCOME		
Income from financing contracts and sukuk	7,281	7,963
Gains on sale of investments and sukuk	9	875
Income from investments	10	882
Fair value changes on FVTPL investments	1,611	111
Dividend income	297	324
Foreign exchange gains	233	184
Fees, commission and other income	439	284
	<u>12,632</u>	<u>10,623</u>
Profit on Murabaha and Wakala payables to banks	(209)	(187)
Profit on Wakala payables to non-banks	(4,109)	(4,221)
Profit on Term financing	(234)	-
Profit relating to equity of investment accountholders	(42)	(31)
	<u>8,038</u>	<u>6,184</u>
OPERATING EXPENSES		
Staff costs	1,669	1,380
Premises and equipment cost	258	311
Depreciation	66	70
Other operating expenses	1,301	869
	<u>3,294</u>	<u>2,630</u>
PROFIT BEFORE PROVISIONS AND RESULTS OF AN ASSOCIATE		
	4,744	3,554
Share of profit from an associate	232	-
Provisions for impairment-net	(883)	(501)
	<u>4,093</u>	<u>3,053</u>
NET PROFIT FOR THE PERIOD		
	<u>4,016</u>	<u>3,053</u>
<i>Attributable to:</i>		
Shareholders of the Bank	4,016	3,053
Non-controlling interest	77	-
	<u>4,093</u>	<u>3,053</u>
WEIGHTED AVERAGE NUMBER OF SHARES (in '000)	<u>1,504,166</u>	<u>1,491,372</u>
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	<u>2.7</u>	<u>2.0</u>



Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board



Yousif A. Taqi
Director and Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2014 (reviewed)

	<i>31 March 2014 BD '000</i>	<i>31 March 2013 BD '000</i>
OPERATING ACTIVITIES		
Net profit for the period	4,093	3,053
Adjustments:		
Depreciation	66	70
Net gain on investments	(1,611)	(111)
Provisions	883	501
Share of profit from an associate	(232)	-
Operating income before changes in operating assets and liabilities	<u>3,199</u>	<u>3,513</u>
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank of Bahrain	(45)	500
Central Bank of Bahrain Sukuk	412	8,896
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	4,927	(87)
Corporate Sukuk	(618)	(4,633)
Murabaha financing	5,068	(23,133)
Mudaraba financing	(6,725)	(9,612)
Ijarah Muntahia Bittamleek	957	(7,690)
Musharaka financing	(447)	(1,043)
Non-trading investments, net	907	16,852
Development properties	9,086	-
Assets held for sale	(4,901)	-
Other assets	(1,836)	13,713
Murabaha and Wakala payables to banks	(1,956)	8,358
Wakala from non-banks	(27,803)	39,102
Customers' current accounts	65,461	(331)
Other liabilities	(5,580)	3,627
Net cash from operating activities	<u>40,106</u>	<u>48,032</u>
INVESTING ACTIVITIES		
Cash flow arising on acquisition of a subsidiary	127,670	-
Purchase of premises and equipment	(34)	(40)
Purchase of investment properties	(2,046)	(10,504)
Net cash from (used in) investing activities	<u>125,590</u>	<u>(10,544)</u>
FINANCING ACTIVITIES		
Term financing	190	-
Equity of investment accountholders	2,318	766
Share issue expenses	(125)	-
Dividend paid	(7,446)	(7,446)
Settlement of non-controlling interest	(7,596)	-
Net cash used in financing activities	<u>(12,659)</u>	<u>(6,680)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	153,037	30,808
Cash and cash equivalents at 1 January	<u>171,040</u>	<u>149,013</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>324,077</u>	<u>179,821</u>
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank of Bahrain	165,012	45,207
Balances with other banks	9,274	11,542
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	149,791	123,072
	<u>324,077</u>	<u>179,821</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months period ended 31 March 2014 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank										Non-controlling interest	Total owners' equity			
	Share capital	Treasury stock	Statutory reserve	Retained earnings	Changes in fair value	Property fair value reserve	Foreign exchange translation reserve	Share premium reserve	Total reserves	Proposed appropriations			Total		
Balance as of															
1 January 2014	149,706	(492)	10,926	43,272	651	21,659	(501)	2,573	78,580	7,485	235,279	10,818	246,097		
Net profit for the period	-	-	-	4,016	-	-	-	-	4,016	-	4,016	77	4,093		
Net change in fair value	-	-	-	-	(148)	-	-	-	(148)	-	(148)	-	(148)		
Changes on investment in an associate	-	-	-	-	-	-	(32)	-	(32)	-	(32)	-	(32)		
Dividend paid	-	-	-	-	-	-	-	-	-	(7,446)	(7,446)	-	(7,446)		
Shares issued on acquisition	64,387	-	-	-	-	-	-	8,499	8,499	-	72,886	-	72,886		
Share issue expenses	-	-	-	-	-	-	-	(125)	(125)	-	(125)	-	(125)		
Non-controlling interest arising on acquisition (note 3)	-	-	-	-	-	-	-	-	-	-	-	222	222		
Settlement of non-controlling interest	-	-	-	(158)	-	-	-	-	(158)	-	(158)	(7,438)	(7,596)		
Transfer	-	-	-	39	-	-	-	-	39	(39)	-	-	-		
Balance at 31 March 2014	214,093	(492)	10,926	47,169	503	21,659	(533)	10,947	90,671	-	304,272	3,679	307,951		
Balance as of															
1 January 2013	149,706	(492)	9,689	39,583	92	-	(571)	2,573	51,366	7,485	208,065	-	208,065		
Net profit for the period	-	-	-	3,053	-	-	-	-	3,053	-	3,053	-	3,053		
Net change in fair value	-	-	-	-	(70)	-	-	-	(70)	-	(70)	-	(70)		
Changes on investment in an associate	-	-	-	-	-	-	16	-	16	-	16	-	16		
Dividend paid	-	-	-	-	-	-	-	-	-	(7,446)	(7,446)	-	(7,446)		
Transfer	-	-	-	39	-	-	-	-	39	(39)	-	-	-		
Balance at 31 March 2013	149,706	(492)	9,689	42,675	22	-	(555)	2,573	54,404	-	203,618	-	203,618		

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Salam Bank-Bahrain B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law no. 21/2001 and was registered with Ministry of Industry and Commerce under Commercial Registration no. 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and is operating under Islamic principles, and in accordance with all the relevant regulatory guidelines for Islamic banks issued by the CBB. The Bank's registered office is P.O. Box 18282, building 22, avenue 58, block 436, Al Seef District, Kingdom of Bahrain.

During the period, the Bank acquired 100% stake in BMI Bank B.S.C. (c) ("BMI"), a closed shareholding company in the Kingdom of Bahrain, through a share exchange explained in more details in note 3. BMI operates under a retail banking license issued by the CBB. All the legal formalities in relation to the share issuance has been completed and the process of converting BMI into fully compliant Islamic operations is in progress.

The Bank and its subsidiary BMI operate through eighteen retail branches in the Kingdom of Bahrain. The Bank offers a full range of Shari'a-compliant banking services and products. The activities of the Bank include managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial instruments as principal/agent, managing Shari'a-compliant financial instruments and other activities permitted for under the CBB's Regulated Banking Services as defined in the licensing framework. The Bank's ordinary shares are listed in the Bahrain Bourse and Dubai Financial Market.

Other than the subsidiary mentioned above, the Bank has control over the following entities:

<i>Name of entity</i>	<i>% holding</i>	<i>Nature of entity</i>
Al Salam Leasing Two Ltd ("ASL II")	76%	Aircraft under lease
Auslog Holding Trust	90%	Investment properties
Kenaz Al Hamala Real Estate Investment W.L.L.	100%	Development properties

The Bank together with its subsidiaries is referred to as "the Group".

These interim condensed consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 5 May 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with the guidance given by International Accounting Standard 34 - "Interim Financial Reporting". These interim condensed consolidated financial statements incorporate all assets, liabilities and off-balance sheet financial instruments held by the Group. With the exception of the policy for business combination, the accounting policies used in the preparation of the interim condensed consolidated financial statements 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 Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and in conformity with the Bahrain Commercial Companies Law and the CBB and Financial Institutions Law. In accordance with AAOIFI, for matters for which no AAOIFI standards exist, including "Interim Financial Reporting", the Group uses the relevant International Financial Reporting Standard.

The interim condensed consolidated financial statements do not contain all information and disclosure required for full financial statements prepared in accordance with AAOIFI. In addition, results for the three months ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

In a business combination in which the Bank and the acquiree exchange only equity interests, the acquisition-date fair value of the acquiree's equity interests is used to determine the amount of goodwill.

Investments acquired but do not meet the definition of business combination are recorded as financing assets or investment in properties as appropriate. When such investments are acquired, the Group allocates the cost of acquisition between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Cost of such assets is the sum of all consideration given and any non-controlling interest recognised. If the non-controlling interest has a present ownership interest and is entitled to a proportionate share of net assets upon liquidation, the Group recognises the non-controlling interest at its proportionate share of net assets.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in interim consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (reviewed)

3 BUSINESS COMBINATION

On 8 October 2013, the shareholders of the Bank resolved to acquire 100% of paid up capital of BMI by issuing 11 shares of the Bank for each share of BMI. On 30 March 2014, the Bank completed the acquisition by issuing 643,866,927 fully paid ordinary shares of the Bank to the previous shareholders of BMI. As the acquisition is completed through a share exchange, the fair value of BMI's equity interest acquired is considered as fair value of consideration transferred.

The provisional fair values of the identifiable assets and liabilities of BMI as of 30 March 2014 and the resulting impact due to the acquisition are as follows:

	<i>Fair value</i>	<i>Carrying value</i>
	<i>BD '000</i>	<i>BD '000</i>
ASSETS ACQUIRED		
Cash and balances at the Central Bank of Bahrain	100,176	100,176
Treasury bills	3,531	3,531
Due from banks and financial institutions	131,659	131,707
Loans and advances	302,753	306,727
Islamic financing assets	68,235	74,640
Non-trading investments	124,038	125,358
Investment in an associate & joint ventures	3,216	3,216
Assets held-for-sale	40,354	40,897
Other assets	5,885	5,885
Premises and equipment	4,218	12,548
	<u>784,065</u>	<u>804,685</u>
LESS: LIABILITIES ASSUMED		
Due to banks and financial institutions & wholesale islamic deposits	(98,133)	(98,133)
Customers' deposits	(580,280)	(580,280)
Other liabilities	(19,251)	(19,251)
Liabilities relating to assets held-for-sale	(26,066)	(26,066)
	<u>(723,730)</u>	<u>(723,730)</u>
NET ASSETS	<u>60,335</u>	<u>80,955</u>
GOODWILL ARISING ON ACQUISITION		
Fair value of identifiable net assets acquired	60,335	
Non-controlling interest measured at fair value	222	
Fair value of the consideration given (note 8)	72,886	
GOODWILL	<u>12,773</u>	
NET CASH FLOW ARISING ON ACQUISITION	<u>127,670</u>	

The acquisition transaction was closed on 30 March 2014 with the Bank issuing the agreed upon shares to the shareholders of BMI. Thus, for the period ended 31 March 2014, the contribution of BMI to the net profit of the Group is insignificant.

The costs of BD 125 thousands relating to issuance of shares have been charged directly as a reduction in share premium.

31 March 2014 (reviewed)

4 ASSETS AND LIABILITIES UNDER CONVERSION

These represent interest bearing non-shari'a compliant assets and liabilities of BMI. These assets and liabilities have been reported as separate line items on the face of the interim consolidated statement of financial position. The details of the assets and liabilities under conversion are as follows:

	<i>31 March 2014 BD '000</i>
Assets	
Treasury bills	3,531
Due from banks and financial institutions	91,292
Loans and advances	303,571
Non-trading investments	93,776
Investment in joint ventures	681
Other assets	4,096
	<hr/>
	496,947
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Liabilities	
Due to banks and financial institutions	31,868
Customers' deposits	370,201
Other liabilities	8,136
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	410,205
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Note: In addition to the above, "Cash and balances with banks and Central bank of Bahrain" includes an amount of BD 80,000 thousand of conventional interbank balances. This represents short term placements with Central bank of Bahrain which carries a nominal interest.

The above non-trading investments include available-for-sale investments amounting to BD 19,254 thousands which qualify under level 2 of the fair value hierarchy.

5 NON-TRADING INVESTMENTS

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

Fair value hierarchy

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 that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

31 March 2014 (reviewed)

5 NON-TRADING INVESTMENTS (continued)

Fair value hierarchy (continued)

The following table shows an analysis of the financial instruments carried at fair value in the interim consolidated statement of financial position:

<i>31 March 2014</i>	<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>
Financial assets at fair value through profit or loss	10,586	-	102,342	112,928
Available-for-sale financial assets	6,162	-	7,263	13,425
	16,748	-	109,605	126,353

During the reporting periods ended 31 March 2014 and 31 December 2013, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

<i>31 December 2013</i>	<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>
Financial assets at fair value through profit or loss	9,058	-	103,147	112,205
Available-for-sale financial assets	6,455	-	7,263	13,718
	15,513	-	110,410	125,923

6 OTHER ASSETS

	<i>31 March</i> <i>2014</i> <i>BD '000</i>	<i>31 December</i> <i>2013</i> <i>BD '000</i>
Assets under conversion (ex-BSB)		
Non-trading investments - Debt	3,838	3,835
Non-trading investments - Available for sale - equity	2,675	2,656
Loans and advances to customers	803	1,520
	7,316	8,011
Repossessed assets	3,179	3,445
Profit receivable on Murabaha, Mudaraba and Musharaka	4,442	3,687
Profit receivable on Sukuk	3,615	2,101
Premises and equipments	4,754	568
Prepayments	1,023	471
Rental receivable on Ijarah Muntahia Bittamleek assets	401	418
Other receivables	5,895	4,113
	30,625	22,814

The above available for sale equity investments are classified as Level 3 in the fair value hierarchy (note 5).

7 ASSETS HELD FOR SALE

A significant portion of these assets were acquired as part of the business combination of BMI with a view to dispose.

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (reviewed)

8 OWNERS' EQUITY

	<i>31 March 2014 BD '000</i>	<i>31 December 2013 BD '000</i>
Share capital:		
Authorised:		
2,500,000,000 (2013: 2,500,000,000) ordinary shares of BD 0.100 each	250,000	250,000
Issued and fully paid:		
Balance at the beginning of the year - 1,497,063,825 shares of BD 0.100 each	149,706	149,706
Issued during the period - 643,866,927 shares of BD 0.100 each (note 3)	64,387	-
	214,093	149,706

Pursuant to a shareholders' resolution, in 2013, the Bank raised its authorised capital from BD 200 million to BD 250 million. During the period, the Bank issued 643,866,927 ordinary shares, as part of an acquisition transaction, to the shareholders of BMI and gained 100% stake (note 3). This resulted in proceeds of BD 72,886 thousands from the new issue, including a share premium of BD 8,499 thousands.

9 GAINS ON SALE OF INVESTMENTS AND SUKUK

	<i>31 March 2014 BD '000</i>	<i>31 March 2013 BD '000</i>
Gain on sale of:		
Development properties	1,401	-
Sukuk	762	2
FVTPL investments	4	76
Available-for-sale investments	-	797
	2,167	875

10 INCOME FROM INVESTMENTS

	<i>31 March 2014 BD '000</i>	<i>31 March 2013 BD '000</i>
Rental income from investment properties	427	-
Income from FVTPL investments	177	882
	604	882

11 TOTAL COMPREHENSIVE INCOME

	<i>31 March 2014 BD '000</i>	<i>31 March 2013 BD '000</i>
NET PROFIT FOR THE PERIOD	4,093	3,053
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Net changes in fair value	(148)	(70)
Exchange differences on investment in an associate	(32)	16
Other comprehensive loss for the period	(180)	(54)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,913	2,999
<i>Attributable to:</i>		
Equity holders of the Bank	3,836	2,999
Non-controlling interest	77	-
	3,913	2,999

31 March 2014 (reviewed)

12 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, 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 with related parties at 31 March 2014 were as follows:

	<i>31 March 2014</i>			<i>Total BD '000</i>
	<i>Associates and joint ventures BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	
Assets:				
Murabaha financing	30,160	30	33	30,223
Mudaraba financing	14,310	60	-	14,370
Ijarah Muntahia Bittamleek	-	1,983	222	2,205
Musharaka financing	1,405	-	-	1,405
Assets under conversion	126	31,519	87	31,732
Other assets	686	39	2	727
Liabilities and equity of investment accountholders:				
Wakala payables to non-banks	5,007	95,938	929	101,874
Customers' current accounts	2,335	650	151	3,136
Liabilities under conversion	8,575	64,998	222	73,795
Equity of investment accountholders	-	723	102	825
Other liabilities	17	1,936	3	1,956
Contingent liabilities and commitments	1,528	-	-	1,528

The income and expenses in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	<i>31 March 2014</i>			<i>Total BD '000</i>
	<i>Associates and joint ventures BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	
Income:				
Income from Islamic financing contracts	100	37	1	138
Expenses:				
Profit on Wakala payables to non-banks	19	11	4	34

12 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties at 31 December 2013 were as follows:

	<i>31 December 2013</i>			
	<i>Associates and joint ventures BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
Assets:				
Murabaha financing	30,190	27	38	30,255
Mudaraba financing	14,310	80	-	14,390
Ijarah Muntahia Bittamleek	-	1,983	227	2,210
Musharaka financing	1,405	-	-	1,405
Other assets	1,346	27	7	1,380
Liabilities and equity of investment accountholders:				
Wakala payables to non-banks	2,222	1,564	547	4,333
Customers' current accounts	2,202	1,075	25	3,302
Equity of investment accountholders	-	716	106	822
Other Liabilities	322	443	2	767
Contingent liabilities and commitments	1,647	-	-	1,647

The income and expenses in respect of related parties included in the interim condensed consolidated financial statements were as follows:

	<i>31 March 2013</i>			
	<i>Associates and joint ventures BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
Income:				
Income from Islamic financing contracts	713	2	2	717
Expenses:				
Profit on Wakala payables to non-banks	15	9	2	26

31 March 2014 (reviewed)

13 CONTINGENT LIABILITIES AND COMMITMENTS

The Group has the following commitments:

	<i>31 March</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>BD '000</i>	<i>BD '000</i>
Contingent liabilities on behalf of customers		
Guarantees	39,673	6,881
Letters of credit	12,518	70
Acceptances	5,238	260
	<u>57,429</u>	<u>7,211</u>
Irrevocable unutilised commitments		
Unutilised financing commitments	58,961	4,703
Unutilised non-funded commitments	74,018	6,463
Commitments towards development cost	3,839	2,799
	<u>136,818</u>	<u>13,965</u>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the interim consolidated statement of financial position date but not provided for	131	-
	<u>194,378</u>	<u>21,176</u>

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitment may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Operating lease commitment - Bank as lessee

The Group has entered into various operating lease agreements for its premises. Future minimal rentals payable under the non-cancellable leases are as follows:

	<i>31 March</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>BD '000</i>	<i>BD '000</i>
Within 1 year	1,867	659
After one year but not more than five years	4,163	472
	<u>6,030</u>	<u>1,131</u>

31 March 2014 (reviewed)

14 SEGMENT INFORMATION**Primary segment information**

For management purposes, the Group is organised into four major business segments:

- Banking** - principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking, and private banking & wealth management.
- Treasury** - principally handling Shari'a compliant money market, trading and treasury services including short-term commodity Murabaha.
- Investments** - principally the Group's proprietary portfolio and serving clients with a range of investment products, funds and alternative investments.
- Capital** - manages the undeployed capital of the Group by investing it in high quality financial instruments, incurs all expenses in managing such investments and accounts for the capital governance related expenses.

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.

Segment information for the period ended 31 March 2014 was as follows:

	<i>31 March 2014</i>				
	<i>Banking</i> <i>BD '000</i>	<i>Treasury</i> <i>BD '000</i>	<i>Investments</i> <i>BD '000</i>	<i>Capital</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
Operating income	3,273	1,235	1,480	2,050	8,038
Segment result	1,530	1,019	797	747	4,093
Other information					
Segment assets	751,116	643,087	319,790	179,551	1,893,544
Segment liabilities and equity	1,170,940	326,843	33,949	361,812	1,893,544

Segment information for the period ended 31 March 2013 was as follows:

	<i>Banking</i> <i>BD '000</i>	<i>Treasury</i> <i>BD '000</i>	<i>Investments</i> <i>BD '000</i>	<i>Capital</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
Operating income	2,824	1,528	1,602	230	6,184
Segment result	1,461	1,334	1,281	(1,023)	3,053

Segment information for the year ended 31 December 2013 was as follows:

	<i>Banking</i> <i>BD '000</i>	<i>Treasury</i> <i>BD '000</i>	<i>Investments</i> <i>BD '000</i>	<i>Capital</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
Other information					
Segment assets	381,307	397,309	208,039	101,597	1,088,252
Segment liabilities and equity	688,122	107,237	48,872	244,021	1,088,252

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.