

**Al Salam Bank-Bahrain B.S.C.**

**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2014**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT 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 30 June 2014, comprising of the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of income, cash flows and changes in owners' equity for the six 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.



6 August 2014

Manama, Kingdom of Bahrain

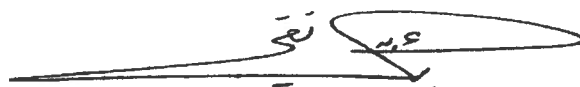
## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014 (reviewed)

		<i>(Reviewed)</i> 30 June 2014 BD '000	<i>(Audited)</i> 31 December 2013 BD '000
<b>ASSETS</b>			
Cash and balances with banks and Central Bank of Bahrain		237,633	86,097
Central Bank of Bahrain Sukuk		108,859	102,937
Murabaha and Wakala receivables from banks		221,961	118,227
Corporate Sukuk		112,267	91,106
Murabaha financing		200,898	147,616
Mudaraba financing		129,943	114,084
Ijarah Muntahia Bittamleek		112,929	110,631
Musharaka		11,898	19,145
Assets under conversion	4	446,527	-
Non-trading investments	5	149,544	125,923
Investment properties		81,323	77,736
Development properties		54,466	63,399
Investment in associates		11,075	8,537
Other assets	6	31,774	22,814
Assets held-for-sale	7	40,862	-
Goodwill	3	12,773	-
<b>TOTAL ASSETS</b>		<b>1,964,732</b>	<b>1,088,252</b>
<b>LIABILITIES, EQUITY OF INVESTMENT</b>			
<b>ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>LIABILITIES</b>			
Murabaha and Wakala payables to banks		138,273	106,796
Wakala payables to non-banks		828,056	584,365
Customers' current accounts		218,889	70,532
Term financing		23,796	23,637
Liabilities under conversion	4	335,360	-
Liabilities relating to assets held-for-sale	7	26,066	-
Other liabilities		45,180	30,979
<b>TOTAL LIABILITIES</b>		<b>1,615,620</b>	<b>816,309</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>30,502</b>	<b>25,846</b>
<b>OWNERS' EQUITY</b>			
Share capital	8	214,093	149,706
Treasury stock		-	(492)
Reserves and retained earnings		97,304	78,580
Proposed appropriations		-	7,485
Total equity attributable to shareholders of the Bank		311,397	235,279
Non-controlling interest		7,213	10,818
<b>TOTAL OWNERS' EQUITY</b>		<b>318,610</b>	<b>246,097</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT</b>		<b>1,964,732</b>	<b>1,088,252</b>
<b>ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>1,964,732</b>	<b>1,088,252</b>



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.

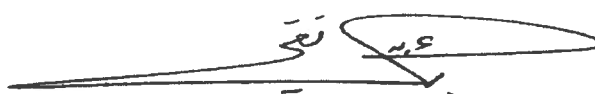
## INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2014 (reviewed)

		<i>Three months ended 30 June 2014 BD '000</i>	<i>Three months ended 30 June 2013 BD '000</i>	<i>Six months ended 30 June 2014 BD '000</i>	<i>Six months ended 30 June 2013 BD '000</i>
<b>OPERATING INCOME</b>					
Income from financing contracts and sukuk		16,946	7,663	24,227	15,626
Gains on sale of investments and sukuk	9	232	1,097	2,399	1,972
Income from investments	10	405	563	1,009	1,445
Fair value changes on FVTPL investments		494	135	2,105	246
Dividend income		27	81	324	405
Foreign exchange gains		453	202	686	386
Fees, commission and other income		2,960	801	3,399	1,085
		<u>21,517</u>	<u>10,542</u>	<u>34,149</u>	<u>21,165</u>
Profit on Murabaha and Wakala payables to banks		(270)	(162)	(479)	(349)
Profit on Wakala payables to non-banks		(7,904)	(4,355)	(12,013)	(8,576)
Profit on Term financing		(263)	-	(497)	-
Profit relating to equity of investment accountholders		(48)	(36)	(90)	(67)
		<u>13,032</u>	<u>5,989</u>	<u>21,070</u>	<u>12,173</u>
<b>OPERATING EXPENSES</b>					
Staff costs		3,998	1,396	5,667	2,776
Premises and equipment cost		719	291	977	602
Depreciation		883	69	949	139
Other operating expenses		2,671	850	3,972	1,719
		<u>8,271</u>	<u>2,606</u>	<u>11,565</u>	<u>5,236</u>
<b>PROFIT BEFORE PROVISIONS AND RESULTS OF ASSOCIATES AND JOINT VENTURES</b>		4,761	3,383	9,505	6,937
Share of (loss) / profit from associates and joint ventures		(89)	-	143	-
Provisions for impairment-net		(446)	(414)	(1,329)	(915)
		<u>4,226</u>	<u>2,969</u>	<u>8,319</u>	<u>6,022</u>
<b>NET PROFIT FOR THE PERIOD</b>					
<i>Attributable to:</i>					
- Shareholders of the Bank		4,151	2,969	8,167	6,022
- Non-controlling interest		75	-	152	-
		<u>4,226</u>	<u>2,969</u>	<u>8,319</u>	<u>6,022</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES (in '000)</b>		<u>2,135,882</u>	<u>1,491,372</u>	<u>1,821,521</u>	<u>1,491,372</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE (FILS)</b>		<u>2.0</u>	<u>2.0</u>	<u>4.6</u>	<u>4.0</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.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2014 (reviewed)

	<i>Six months ended 30 June 2014 BD '000</i>	<i>Six months ended 30 June 2013 BD '000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	8,319	6,022
Adjustments:		
Depreciation	949	139
Fair value changes on FVTPL investments	(2,105)	(246)
Provisions for impairment-net	1,329	915
Share of profit from associates and joint ventures	(143)	-
Operating income before changes in operating assets and liabilities	<u>8,349</u>	<u>6,830</u>
<b>Changes in operating assets and liabilities:</b>		
Mandatory reserve with Central Bank of Bahrain	(2,093)	(160)
Central Bank of Bahrain Sukuk	16,253	14,675
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	8,272	(3,864)
Corporate Sukuk	(13,073)	(6,221)
Murabaha financing	(6,754)	(44,650)
Mudaraba financing	(676)	(10,883)
Ijarah Muntahia Bittamleek	1,700	(11,177)
Musharaka financing	7,247	(2,219)
Assets under conversion	51,674	-
Non-trading investments -net	(21,701)	(4,780)
Development properties	8,933	-
Assets held-for-sale	(508)	-
Other assets	(2,579)	16,073
Wakala payables to non-banks	(21,867)	8,786
Wakala from non-banks	86,675	70,929
Customers' current accounts	97,679	94
Liabilities under conversion	(74,845)	-
Other liabilities	3,085	(2,488)
Net cash from operating activities	<u>145,771</u>	<u>30,945</u>
<b>INVESTING ACTIVITIES</b>		
Cash flow arising on acquisition of a subsidiary	127,670	-
Sale of treasury stock	1,754	-
Investment in associates	23	-
Purchase of premises and equipment	(906)	(66)
Purchase of investment properties	(3,587)	(10,045)
Net cash from (used in) investing activities	<u>124,954</u>	<u>(10,111)</u>
<b>FINANCING ACTIVITIES</b>		
Term financing	159	-
Equity of investment accountholders	2,273	5,138
Share issue expenses	(125)	-
Dividend paid	(7,446)	(7,446)
Settlement of non-controlling interest	(4,137)	-
Net cash used in financing activities	<u>(9,276)</u>	<u>(2,308)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>261,449</b>	<b>18,526</b>
Cash and cash equivalents at 1 January	<u>171,040</u>	<u>149,013</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b><u>432,489</u></b>	<b><u>167,539</u></b>
<b>Cash and cash equivalents comprise of:</b>		
Cash and other balances with Central Bank of Bahrain	180,611	50,995
Balances with other banks	34,979	5,188
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	216,899	111,356
	<u>432,489</u>	<u>167,539</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 period ended 30 June 2014 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank												
	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	Non-controlling interest	Total owners' equity
<b>Balance as of</b>													
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	-	-	-	8,167	-	-	-	-	8,167	-	8,167	152	8,319
Net change in fair value	-	-	-	-	1,157	-	-	-	1,157	-	1,157	-	1,157
Changes on investment in associates	-	-	-	-	-	-	(117)	-	(117)	-	(117)	-	(117)
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)
Net movements in non-controlling interest	-	-	-	(158)	-	-	-	-	(158)	-	(158)	(3,757)	(3,915)
Sale of treasury stock	-	492	-	-	-	-	-	1,262	1,262	-	1,754	-	1,754
Transfer	-	-	-	39	-	-	-	-	39	(39)	-	-	-
<b>Balance at 30 June 2014</b>	<b>214,093</b>	<b>-</b>	<b>10,926</b>	<b>51,320</b>	<b>1,808</b>	<b>21,659</b>	<b>(618)</b>	<b>12,209</b>	<b>97,304</b>	<b>-</b>	<b>311,397</b>	<b>7,213</b>	<b>318,610</b>
<b>Balance as of</b>													
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	-	-	-	6,022	-	-	-	-	6,022	-	6,022	-	6,022
Net change in fair value	-	-	-	-	(674)	-	-	-	(674)	-	(674)	-	(674)
Changes on investment in an associate	-	-	-	-	-	-	(81)	-	(81)	-	(81)	-	(81)
Dividend paid	-	-	-	-	-	-	-	-	-	(7,446)	(7,446)	-	(7,446)
Transfer	-	-	-	39	-	-	-	-	39	(39)	-	-	-
<b>Balance at 30 June 2013</b>	<b>149,706</b>	<b>(492)</b>	<b>9,689</b>	<b>45,644</b>	<b>(582)</b>	<b>-</b>	<b>(652)</b>	<b>2,573</b>	<b>56,672</b>	<b>-</b>	<b>205,886</b>	<b>-</b>	<b>205,886</b>

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

30 June 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 detail in note 3. BMI operates under a retail conventional 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
Al Salam Asia REIT Fund	90%	Open-ended mutual fund

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 6 August 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 accounting policies for business combination and treasury stock, 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 disclosures required for full financial statements prepared in accordance with AAOIFI. In addition, results for the six months ended 30 June 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.

**Treasury Stock**

Own equity instruments that are reacquired, are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.



# Al Salam Bank-Bahrain B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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 BD '000</i>	<i>Carrying value BD '000</i>
<b>ASSETS ACQUIRED</b>		
Cash and balances with 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>
<b>LESS: LIABILITIES ASSUMED</b>		
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>
<b>NET ASSETS</b>	<u>60,335</u>	<u>80,955</u>
<b>GOODWILL ARISING ON ACQUISITION</b>		
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	
<b>GOODWILL</b>	<u>12,773</u>	
<b>NET CASH FLOW ARISING ON ACQUISITION</b>	<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. From the date of acquisition, BMI has contributed BD 1,148 thousands to the net profit of the Group. If the business combination had taken place at the beginning of the period, the net profit of the Group for the six months period ended 30 June 2014 would have decreased by BD 3,120 thousands.

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

30 June 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>30 June 2014 BD '000</i>
<b>Assets</b>	
Due from banks and financial institutions	60,215
Loans and advances	286,478
Non-trading investments	94,976
Investment in joint ventures	704
Other assets	4,154
	<u>446,527</u>
<b>Liabilities</b>	
Due to banks and financial institutions	19,227
Customers' deposits	307,438
Other liabilities	8,695
	<u>335,360</u>

**Note:** In addition to the above, "Cash and balances with banks and Central bank of Bahrain" include an amount of BD 54,700 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 which qualify under level 1 and level 2 of the fair value hierarchy amounting to BD 75,614 thousands and BD 19,362 thousands respectively.

**5 NON-TRADING INVESTMENTS**

Fair value of investments is derived from quoted market prices in active markets, if available.

Fair value of unquoted investments 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.

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

<i>30 June 2014</i>	<i>Level 1 BD '000</i>	<i>Level 2 BD '000</i>	<i>Level 3 BD '000</i>	<i>Total BD '000</i>
Financial assets at fair value through profit or loss	16,010	-	114,039	130,049
Available-for-sale financial assets	6,263	-	13,232	19,495
	<u>22,273</u>	<u>-</u>	<u>127,271</u>	<u>149,544</u>

# Al Salam Bank-Bahrain B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (reviewed)

### 5 NON-TRADING INVESTMENTS (continued)

During the reporting periods ended 30 June 2014 and 31 December 2013, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

31 December 2013

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</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
	<u>15,513</u>	<u>-</u>	<u>110,410</u>	<u>125,923</u>

### 6 OTHER ASSETS

	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Assets under conversion *</b>		
Non-trading investments - Debt	3,841	3,835
Non-trading investments - Available for sale - equity	2,660	2,656
Loans and advances to customers	77	1,520
	<u>6,578</u>	<u>8,011</u>
Repossessed assets	2,874	3,445
Profit receivable on Murabaha, Mudaraba and Musharaka	5,211	3,687
Profit receivable on Sukuk	2,088	2,101
Premises and equipment	4,452	568
Prepayments	1,642	471
Rental receivable on Ijarah Muntahia Bittamleek assets	456	418
Receivable relating to sale of investment	2,818	-
Other receivables	5,655	4,113
	<u>31,774</u>	<u>22,814</u>

\* These represent non-Shari'a compliant assets resulted from the acquisition of Bahraini Saudi Bank B.S.C.

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

### 7 ASSETS HELD-FOR-SALE

These assets were acquired as part of the business combination of BMI with a view to dispose.

### 8 OWNERS' EQUITY

	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Share capital:</b>		
Authorised:		
2,500,000,000 (2013: 2,500,000,000) ordinary shares of BD 0.100 each	<u>250,000</u>	<u>250,000</u>
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	-
	<u>214,093</u>	<u>149,706</u>

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.

30 June 2014 (reviewed)

**9 GAINS ON SALE OF INVESTMENTS AND SUKUK**

	<i>Three months ended 30 June 2014 BD '000</i>	<i>Three months ended 30 June 2013 BD '000</i>	<i>Six months ended 30 June 2014 BD '000</i>	<i>Six months ended 30 June 2013 BD '000</i>
<b>Gain on sale of:</b>				
Development properties	231	-	1,636	-
Sukuk	1	15	763	17
FVTPL investments	-	195	-	271
Available-for-sale investments	-	887	-	1,684
	<u>232</u>	<u>1,097</u>	<u>2,399</u>	<u>1,972</u>

**10 INCOME FROM INVESTMENTS**

	<i>Three months ended 30 June 2014 BD '000</i>	<i>Three months ended 30 June 2013 BD '000</i>	<i>Six months ended 30 June 2014 BD '000</i>	<i>Six months ended 30 June 2013 BD '000</i>
(Loss) / income from FVTPL investments	(28)	563	149	1,445
Rental income from investment properties	433	-	860	-
	<u>405</u>	<u>563</u>	<u>1,009</u>	<u>1,445</u>

**11 TOTAL COMPREHENSIVE INCOME**

	<i>Three months ended 30 June 2014 BD '000</i>	<i>Three months ended 30 June 2013 BD '000</i>	<i>Six months ended 30 June 2014 BD '000</i>	<i>Six months ended 30 June 2013 BD '000</i>
<b>Net profit for the period</b>	<u>4,226</u>	<u>2,969</u>	<u>8,319</u>	<u>6,022</u>
<b>Other comprehensive income:</b>				
Items to be reclassified to profit or loss in subsequent periods:				
Net changes in fair value	1,305	(604)	1,157	(674)
Exchange differences on investment in associates	(85)	(97)	(117)	(81)
<b>Other comprehensive income / (loss) for the period</b>	<u>1,220</u>	<u>(701)</u>	<u>1,040</u>	<u>(755)</u>
<b>Total comprehensive income for the period</b>	<u>5,446</u>	<u>2,268</u>	<u>9,359</u>	<u>5,267</u>
<b>Attributable to:</b>				
Equity holders of the Bank	5,371	2,268	9,207	5,267
Non-controlling interest	75	-	152	-
	<u>5,446</u>	<u>2,268</u>	<u>9,359</u>	<u>5,267</u>

30 June 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 30 June 2014 were as follows:

	<i>30 June 2014</i>			
	<i>Associates, joint ventures and major shareholders BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
<b>Assets:</b>				
Cash and balances with banks and				
Central Bank of Bahrain	737	-	-	737
Murabaha financing	31,290	63	119	31,472
Mudaraba financing	14,310	60	-	14,370
Ijarah Muntahia Bittamleek	-	2,573	217	2,790
Musharaka financing	1,124	70	-	1,194
Assets under conversion	178	-	650	828
Other assets	1,710	11	5	1,726
<b>Liabilities and equity of investment accountholders:</b>				
Wakala payables to non-banks	96,677	1,996	1,651	100,324
Customers' current accounts	6,555	757	187	7,499
Liabilities under conversion	10,126	-	284	10,410
Equity of investment accountholders	-	1,204	49	1,253
Other liabilities	56	4	4	64
Contingent liabilities and commitments	1,247	-	-	1,247

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

	<i>Six months period ended 30 June 2014</i>			
	<i>Associates, joint ventures and major shareholders BD '000</i>	<i>Directors and related entities BD '000</i>	<i>Senior management BD '000</i>	<i>Total BD '000</i>
<b>Income:</b>				
Income from Islamic financing contracts	200	149	2	351
Other income	97	-	2	99
<b>Expenses:</b>				
Profit on Wakala payables to non-banks	783	44	12	839
Share of profits on equity of investment accountholders	-	2	-	2
Other operating expenses	-	385	-	385

30 June 2014 (reviewed)

**12 RELATED PARTY TRANSACTIONS (continued)**

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

	31 December 2013			Total BD '000
	Associates and joint ventures BD '000	Directors and related entities BD '000	Senior management BD '000	
<b>Assets:</b>				
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
<b>Liabilities and equity of investment accountholders:</b>				
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:

	Six months period ended 30 June 2013			Total BD '000
	Associates and joint ventures BD '000	Directors and related entities BD '000	Senior management BD '000	
<b>Income:</b>				
Income from Islamic financing contracts	2,087	363	1	2,451
<b>Expenses:</b>				
Profit on Wakala payables to non-banks	32	20	4	56

30 June 2014 (reviewed)

**13 CONTINGENT LIABILITIES AND COMMITMENTS**

The Group has the following commitments:

	<i>30 June 2014 BD '000</i>	<i>31 December 2013 BD '000</i>
<b>Contingent liabilities on behalf of customers</b>		
Guarantees	38,844	6,881
Letters of credit	10,111	70
Acceptances	8,603	260
	<u>57,558</u>	<u>7,211</u>
<b>Irrevocable unutilised commitments</b>		
Unutilised financing commitments	60,737	4,703
Unutilised non-funded commitments	70,836	6,463
Commitments towards development cost	3,638	2,799
	<u>135,211</u>	<u>13,965</u>
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the interim consolidated statement of financial position date but not provided for	134	-
<b>Forward foreign exchange contracts</b>	7,373	-
	<u>200,276</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 - Group 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>30 June 2014 BD '000</i>	<i>31 December 2013 BD '000</i>
Within 1 year	1,810	659
After one year but not more than five years	3,767	472
	<u>5,577</u>	<u>1,131</u>

30 June 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 30 June 2014 was as follows:

	<i>30 June 2014</i>				
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Capital</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Operating income	12,965	2,114	5,497	494	21,070
Segment result	4,347	1,582	4,262	(1,872)	8,319
<b>Other information</b>					
Segment assets	731,307	585,425	386,980	261,020	1,964,732
Segment liabilities and equity	1,378,502	169,368	42,782	374,080	1,964,732

Segment information for the period ended 30 June 2013 was as follows:

	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Capital</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Operating income	5,086	3,420	2,562	1,105	12,173
Segment result	2,433	3,034	1,919	(1,364)	6,022

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

	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Capital</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>Other information</b>					
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.