Al Salam Bank-Bahrain B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2011

ERNST & YOUNG

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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 statement of financial position of Al Salam Bank-Bahrain B.S.C. ("the Bank") and its subsidiary (together "the Group") as of 31 March 2011, and the related interim consolidated statements of income, comprehensive income, changes in owners' equity and cash flows 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.

Ernst + Young

18 April 2011
Manama, Kingdom of Bahrain

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011 (reviewed)

	Note	*Reviewed 31 March 2011* BD '000	*(Restated) Audited 31 December 2010* BD '000
ASSETS			
Cash and balances with banks and Central Bank of Bahrain		**67,242**	95,791
Central Bank of Bahrain Sukuk		**83,360**	68,632
Murabaha and Wakala receivables from banks		**122,633**	137,299
Corporate Sukuk		**63,752**	60,959
Murabaha and Mudaraba financing		**126,197**	120,812
Ijarah Muntahia Bittamleek		**72,875**	69,825
Musharaka financing		**9,133**	8,127
Assets under conversion	3	**47,390**	57,432
Non-trading investments		**220,702**	212,432
Investment in an associate		**-**	7,578
Investment properties		**3,373**	3,373
Receivables and prepayments		**12,975**	12,479
Premises and equipment		**1,661**	1,859
TOTAL ASSETS		**831,293**	856,598
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		**101,324**	101,300
Wakala from non-banks		**423,402**	456,447
Customers' current accounts		**60,050**	57,362
Liabilities under conversion	3	**5,070**	5,171
Other liabilities		**14,477**	15,993
TOTAL LIABILITIES		**604,323**	636,273
EQUITY OF INVESTMENT ACCOUNTHOLDERS		**26,316**	18,465
OWNERS' EQUITY			
Share capital	4	**149,706**	149,706
Treasury stock		**(84)**	-
Reserves and retained earnings		**46,999**	48,165
Total equity attributable to shareholders of the Bank		**196,621**	197,871
Non-controlling interest		**4,033**	3,989
TOTAL OWNERS' EQUITY		**200,654**	201,860
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**831,293**	856,598

These interim consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 18 April 2011.

Mohamed Ali Rashid Alabbar
Chairman

Yousif A. Taqi
Director and Chief Executive Officer

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2011 (reviewed)

	Note	*31 March 2011 BD '000*	*31 March 2010 BD '000*
OPERATING INCOME			
Income from financing contracts	3	**6,413**	4,626
(Loss) income from investments designated as fair value through profit or loss		**(301)**	512
Gains on disposal of investments		**693**	439
Gains on investments designated as fair value through profit or loss		**108**	4,213
Dividend income		**248**	79
Fees and commissions		**242**	324
Foreign exchange gains		**317**	147
Other income		**-**	330
		7,720	10,670
Profit on Murabaha and Wakala payables to banks		**(166)**	(154)
Profit on Wakala from non-banks	3	**(4,044)**	(2,900)
Profit relating to equity of investment accountholders		**(63)**	(58)
Depreciation on Ijarah Muntahia Bittamleek		**(780)**	(341)
Total operating income		**2,667**	7,217
OPERATING EXPENSES			
Staff costs		**1,505**	1,551
Premises and equipment cost		**277**	157
Depreciation		**307**	289
Other operating expenses		**923**	1,177
Total operating expenses		**3,012**	3,174
Share of gain from an associate		**-**	8
NET (LOSS) PROFIT BEFORE PROVISIONS		**(345)**	4,051
Provision for financing facilities		**(468)**	-
NET (LOSS) PROFIT FOR THE PERIOD		**(813)**	4,051
Attributable to:			
Equity holders of the Bank		**(853)**	4,024
Non-controlling interest		**40**	27
		(813)	4,051
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**1,496,751,092**	1,497,063,825
BASIC AND DILUTED EARNINGS PER SHARE (FILS)		**(0.6)**	2.7

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2011 (reviewed)

	31 March 2011 BD '000	*(Restated) 31 March 2010 BD '000*
NET (LOSS) PROFIT FOR THE PERIOD	**(813)**	4,051
Other comprehensive income:		
Net change in fair value	**(405)**	134
Exchange differences on investment in an associate	-	37
Exchange differences on investment in an associate transferred to income statement	**96**	-
Other comprehensive (loss) income for the period	**(309)**	171
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**(1,122)**	4,222
Attributable to:		
Equity holders of the Bank	**(1,166)**	4,154
Non-controlling interest	**44**	68
	(1,122)	4,222

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2011 (reviewed)

	Three months ended 31 March 2011 BD '000	*(Restated) Three months ended 31 March 2010 BD '000*
OPERATING ACTIVITIES		
Net (loss) profit for the period	**(813)**	4,051
Adjustments:		
Depreciation	**307**	289
Gains on investments designated as fair value through profit or loss	**(108)**	(4,213)
Provision for financing facilities	**468**	-
Exchange differences on investment in an associate transferred to income statement	**96**	-
Share of gain from an associate	**-**	(8)
Operating (loss) income before changes in operating assets and liabilities	**(50)**	119
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank of Bahrain	**492**	580
Central Bank of Bahrain Sukuk	**(14,729)**	(983)
Murabaha and Wakala receivables from banks with original maturities of 90 days or more	**(23,815)**	(2,470)
Corporate Sukuk	**(2,793)**	(5,583)
Murabaha and Mudaraba financing	**(5,853)**	(22,020)
Ijarah Muntahia Bittamleek	**(3,051)**	2,099
Musharaka financing	**(1,006)**	(424)
Assets under conversion	**10,080**	16,407
Non-trading investments, net	**(1,031)**	(463)
Receivables and prepayments	**(496)**	14,651
Murabaha and Wakala payables to banks	**24**	794
Wakala from non-banks	**(33,338)**	(18,573)
Customers' current accounts	**2,688**	20,039
Liabilities under conversion	**192**	(21,119)
Other liabilities	**(1,516)**	2,985
Net cash used in operating activities	**(74,202)**	(13,961)
INVESTING ACTIVITIES		
Purchase of premises and equipment	**(109)**	(77)
Purchase of investment property	**-**	(2,165)
Net cash used in investing activities	**(109)**	(2,242)
FINANCING ACTIVITIES		
Equity of investment accountholders	**7,851**	5,819
Purchase of treasury stock	**(84)**	-
Dividends	**-**	(7,129)
Net movement in non-controlling interests	**4**	-
Net cash from (used in) financing activities	**7,771**	(1,310)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(66,540)**	(17,513)
Cash and cash equivalents at 1 January	**203,116**	258,557
CASH AND CASH EQUIVALENTS AT 31 MARCH	**136,576**	241,044
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank of Bahrain	**41,552**	91,795
Balances with other banks	**7,213**	9,826
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	**87,811**	139,423
	136,576	241,044

The attached notes 1 to 7 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 31 March 2011 (reviewed)

Amount in BD '000s

	Attributable to owners' equity holders of the Bank												
	Share capital	*Treasury stock*	*Statutory reserve*	*Retained earnings*	*Investment reserve*	*Changes in fair value*	*Foreign exchange translation reserve*	*Share premium reserve*	*Total reserves*	*Proposed appropriations*	*Total*	*Non-controlling interest*	*Total owners' equity*
Balance as of 1 January 2011	**149,706**	-	**8,631**	**4,603**	**33,039**	**172**	**(96)**	**2,573**	**48,922**	-	**198,628**	**3,997**	**202,625**
Changes due to adoption of FAS 25 (note 2)	-	-	-	33,039	(33,039)	(757)	-	-	(757)	-	(757)	(8)	(765)
As at 1 January 2011 (restated)	**149,706**	-	**8,631**	**37,642**	-	**(585)**	**(96)**	**2,573**	**48,165**	-	**197,871**	**3,989**	**201,860**
Total comprehensive income for the period													
Net (loss) profit for the period	-	-	-	(853)	-	-	-	-	(853)	-	(853)	40	(813)
Other comprehensive income:													
Net change in fair value	-	-	-	-	-	(409)	-	-	(409)	-	(409)	4	(405)
Transfer to income statement	-	-	-	-	-	-	96	-	96	-	96	-	96
Total comprehensive (loss) income	-	-	-	**(853)**	-	**(409)**	**96**	-	**(1,166)**	-	**(1,166)**	**44**	**(1,122)**
	149,706	-	**8,631**	**36,789**	-	**(994)**	-	**2,573**	**46,999**	-	**196,705**	**4,033**	**200,738**
Treasury shares purchased	-	(84)	-	-	-	-	-	-	-	-	(84)	-	(84)
Balance at 31 March 2011	**149,706**	**(84)**	**8,631**	**36,789**	-	**(994)**	-	**2,573**	**46,999**	-	**196,621**	**4,033**	**200,654**
Balance as of 1 January 2010	142,577	-	7,910	5,009	26,245	(381)	-	2,573	41,356	14,258	198,191	3,586	201,777
Changes due to adoption of FAS 25 (note 2)	-	-	-	26,245	(26,245)	507	-	-	507	-	507	-	507
As at 1 January 2010 (restated)	142,577	-	7,910	31,254	-	126	-	2,573	41,863	14,258	198,698	3,586	202,284
Total comprehensive income for the period													
Net profit for the period	-	-	-	4,024	-	-	-	-	4,024	-	4,024	27	4,051
Other comprehensive income:													
Changes on investment in an associate	-	-	-	-	-	-	37	-	37	-	37	-	37
Net change in fair value	-	-	-	-	-	134	-	-	134	-	134	(1)	133
Total comprehensive income	-	-	-	4,024	-	134	37	-	4,195	-	4,195	26	4,221
	142,577	-	7,910	35,278	-	260	37	2,573	46,058	14,258	202,893	3,612	206,505
Bonus shares issued	7,129	-	-	-	-	-	-	-	-	(7,129)	-	-	-
Dividends paid for 2009	-	-	-	-	-	-	-	-	-	(7,129)	(7,129)	-	(7,129)
Balance at 31 March 2010	149,706	-	7,910	35,278	-	260	37	2,573	46,058	-	195,764	3,612	199,376

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

1 INCORPORATION AND PRINCIPAL ACTIVITIES

The parent company, 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 Number 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.

In 2009, the Bank acquired a 90.31% stake in Bahraini Saudi Bank B.S.C. (BSB), a publicly listed commercial bank in the Kingdom of Bahrain. BSB operates under a retail banking license issued by the Central Bank of Bahrain. BSB has applied for an Islamic retail banking license with the CBB and is awaiting approval. Subsequent to acquisition by the Bank, BSB has discontinued new conventional activities and the conversion into a fully compliant Islamic operations is in progress.

The Bank and its subsidiary, BSB, (together known as "the Group") operate through eleven 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 Stock Exchange.

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. 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 financial statements for the year ended 31 December 2010, except for the new and amended conceptual framework financial accounting standards, 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 Central Bank of Bahrain 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 three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiary for the period ended 31 March 2011. The financial statements of the Bank's subsidiary is prepared for the same reporting period as the Bank, using consistent accounting policies. All income and expenses of the subsidiary, other than those relating to the assets and liabilities under conversion (note 3) have been consolidated on a line-by-line basis; in accordance with the requirements of AAOIFI consolidation standard.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and is presented separately in the interim consolidated income statement and within equity in the interim consolidated statement of financial position, separately from parent shareholders' equity.

NEW AND AMENDED ACCOUNTING STANDARD AND FRAMEWORK

During 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which is effective from 1 January 2011.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

STATEMENT OF FINANCIAL ACCOUNTING NO.1: CONCEPTUAL FRAMEWORK FOR THE FINANCIAL REPORTING BY ISLAMIC FINANCIAL INSTITUTIONS

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOIFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework states that it is necessary that information, transaction and other events are accounted for and presented in accordance with their substance and economic reality as well as the legal form.

FINANCIAL ACCOUNTING STANDARD (FAS 25) "INVESTMENT IN SUKUK, SHARES AND SIMILAR INSTRUMENTS".

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt or equity instruments made by Islamic financial institutions.

The adoption of FAS 25 had an effect on the classification and measurement of the Group's financial assets. As a result of the application of this new standard, the classification of the investment portfolio was revisited and changes were made in classification to be in line with FAS 25. The corporate sukuk held by the Group have been reclassified retrospectively from available-for-sale investments to investments at amortised cost. Accordingly, the fair value adjustments previously recognised on these sukuk have been restated and the impact on the corporate sukuk balance as of 1 January 2011 was a reduction of BD 765 thousand. The adoption of FAS 25, did have not any impact on the non-trading investments held by the Group. The impact on the opening total owners' equity as of 1 January 2011 was a reduction of BD 765 thousand (1 January 2010: increase of BD 507 thousand).

Also, the investment reserve amounting BD 33,039 thousand as of 1 January 2011 (as of 1 January 2010: BD 26,245 thousand), which was previously disclosed as a separate component in the owners' equity, has now been transferred to the retained earnings as this reserve is no longer required under the new FAS 25.

3 ASSETS AND LIABILITIES UNDER CONVERSION

These represent interest bearing non-Shari'a compliant assets and liabilities of BSB, a majority owned subsidiary of the Bank. As of 31 March 2011, the conversion of the subsidiary into a fully compliant Islamic operations is in progress; accordingly 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 these assets and liabilities under conversion are as follows:

	31 March 2011 BD '000	*31 December 2010 BD '000*
Assets		
Due from banks and financial institutions	**1,661**	757
Loans and advances to customers	**36,903**	47,872
Non-trading-investments	**8,826**	8,803
	47,390	57,432
Liabilities		
Due to banks and financial institutions	**5,070**	5,171

Income from financing contracts includes BD 710,000 (2010: BD 1,275,000) arising from assets under conversion. Profit on Wakala from non-banks includes BD 5,000 (2010: BD 606,000) arising from liabilities under conversion.

4 SHARE CAPITAL

	31 March 2011 BD '000	*31 December 2010 BD '000*
Authorised:		
2,000,000,000 (2010: 2,000,000,000) ordinary shares of BD 0.100 each	**200,000**	200,000
Issued and fully paid:		
Balance at beginning - 1,497,063,825 (2010:1,425,775,075) shares	**149,706**	142,577
Issued during the period nil (2010:71,288,750) shares	-	7,129
	149,706	149,706

5 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, 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 Group. The transactions with these parties were made on commercial terms.

The significant balances with related parties at 31 March 2011 were as follows:

	31 March 2011			
	Associates and joint ventures BD '000	*Directors and related entities BD '000*	*Senior management BD '000*	*Total BD '000*
Assets:				
Murabaha and Mudaraba receivables	**24,117**	**83**	**29**	**24,229**
Ijarah Muntahia Bittamleek	**15,079**	**3,114**	**166**	**18,359**
Musharaka financing	**8,831**	**-**	**87**	**8,918**
Assets under conversion	**-**	**-**	**20**	**20**
Receivables and prepayments	**1,712**	**-**	**2**	**1,714**
Liabilities and equity of investment accountholders:				
Wakala from non-banks	**1,713**	**587**	**190**	**2,490**
Customers' current accounts	**5,056**	**267**	**1,563**	**6,886**
Equity of investment accountholders	**120**	**64**	**84**	**268**
Commitments	**3,310**	**-**	**-**	**3,310**
Contingent liabilities	**1,173**	**64**	**-**	**1,237**

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

	31 March 2011			
	Associates and joint ventures BD '000	*Directors and related entities BD '000*	*Senior management BD '000*	*Total BD '000*
Income:				
Income from financing contracts	**1,036**	**1**	**3**	**1,040**
Expenses:				
Profit paid on Wakala from non-banks	**15**	**10**	**5**	**30**
Share of profits on equity of investment accountholders	**1**	**-**	**-**	**1**

5 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties at 31 December 2010 were as follows:

	31 December 2010			
	Associates and joint ventures BD '000	*Directors and related entities BD '000*	*Senior management BD '000*	*Total BD '000*
Assets:				
Murabaha and Mudaraba receivables	21,653	54	37	21,744
Ijarah Muntahia Bittamleek	15,068	3,114	175	18,357
Musharaka financing	7,830	-	89	7,919
Assets under conversion	-	-	21	21
Receivables and prepayments	3,260	8	6	3,274
Liabilities and equity of investment accountholders:				
Wakala from non-banks	3,451	1,297	125	4,873
Customers' current accounts	7,428	161	333	7,922
Equity of investment accountholders	35	91	1,292	1,418
Commitments	4,310	-	-	4,310
Contingent liabilities	1,549	63	-	1,612

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

	31 March 2010			
	Associates and joint ventures BD '000	*Directors and related entities BD '000*	*Senior management BD '000*	*Total BD '000*
Income:				
Income from financing contracts	613	1	3	617
Expenses:				
Profit paid on Wakala from non-banks	52	6	3	61
Share of profits on equity of investment accountholders	1	-	-	1

6 CONTINGENT LIABILITIES AND COMMITMENTS

The Group has the following commitments:

	31 March 2011 BD '000	*31 December 2010 BD '000*
Contingent liabilities on behalf of customers		
Guarantees	**7,077**	6,773
Letters of credit	**1,880**	1,645
Acceptances	**283**	432
	9,240	8,850
Irrevocable Unutilised commitments		
Unutilised financing commitments	**27,351**	27,970
Unutilised non-funded commitments	**6,706**	7,583
Unutilised capital commitments	**1,530**	1,502
	35,587	37,055
	44,827	45,905

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 a five-year operating lease for its premises. Future minimal rentals payable under the non-cancellable lease are as follows:

	31 March 2011 BD '000	*31 December 2010 BD '000*
Within 1 year	**4,180**	429
After one year but not more than five years	**60**	85
	4,240	514

7 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 and wealth management.
Treasury	- principally handling Shari'a-compliant money market, trading and treasury services including short-term commodity Murabaha.
Investments	- principally the Bank's proprietary portfolio and serving clients with a range of investment products, funds and alternative investments.
Capital	- manages the undeployed capital of the Bank 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 2011 was as follows:

	31 March 2010				
	Banking ***BD '000***	***Treasury*** ***BD '000***	***Investments*** ***BD '000***	***Capital*** ***BD '000***	***Total*** ***BD '000***
Operating income	**1,750**	**1,049**	**(1,192)**	**1,060**	**2,667**
Segment result	**209**	**817**	**(1,688)**	**(151)**	**(813)**
Other information					
Segment assets	**197,222**	**286,285**	**254,203**	**93,583**	**831,293**
Segment liabilities, and equity	**501,608**	**112,321**	**3,018**	**214,346**	**831,293**

Segment information for the period ended 31 March 2010 was as follows:

	Banking *BD '000*	*Treasury* *BD '000*	*Investments* *BD '000*	*Capital* *BD '000*	*Total* *BD '000*
Operating income	2,686	770	3,113	648	7,217
Segment result	1,475	436	2,184	(44)	4,051

Segment information (restated) for the year ended 31 December 2010 was as follows:

	Banking *BD '000*	*Treasury* *BD '000*	*Investments* *BD '000*	*Capital* *BD '000*	*Total* *BD '000*
Segment assets	195,713	324,322	249,994	86,569	856,598
Segment liabilities, and equity	517,737	120,220	8,318	210,323	856,598

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.