

**Al Salam Bank-Bahrain B.S.C.**  
**CONDENSED**  
**CONSOLIDATED INTERIM FINANCIAL**  
**INFORMATION**  
**31 March 2018**



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## **Independent auditors' report on review of condensed consolidated interim financial information**

To  
The Board of Directors  
Al Salaam Bank- Bahrain B.S.C.  
Manama  
Kingdom of Bahrain

13 May 2018

### **Introduction**

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial information of Al Salaam Bank – Bahrain B.S.C. (the “Bank”) and its subsidiaries (the “Group”), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2018;
- the condensed consolidated income statement for the three month period ended 31 March 2018;
- the condensed consolidated statement of changes in owners' equity for the three month period ended 31 March 2018;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2018; and
- notes to the condensed consolidated interim financial information.

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

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.



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

*Independent auditors' report on review of condensed consolidated interim financial information  
(continued)*

*Other matter*

The consolidated financial statements of the Group as at and for the year ended 31 December 2017, and the condensed consolidated interim financial information for the three month period ended 31 March 2017, from which the corresponding figures of consolidated statements of financial position, income statement, statement of changes in owners' equity and cash flows have been derived, were audited and reviewed by another auditor who issued an unmodified audit opinion and review conclusion on those financial statements on 13 February 2018 and 3 May 2017 respectively. The Group early adopted *Financial Accounting Standard 30: Impairment, Credit Losses and Onerous Commitments* ("FAS 30") in its consolidated financial statements for the year ended 31 December 2017 with effect from 1 January 2017. Accordingly, the corresponding figures for the three month period ended 31 March 2017 in these condensed consolidated interim financial information have been restated to reflect the application of FAS 30, on which the preceding auditor of the Group has performed certain specified procedures for interim periods. We were not engaged to audit, review, or apply any procedures to the corresponding periods presented and accordingly, we do not express an opinion or any other form of assurance on those respective consolidated financial statements or condensed consolidated interim financial information taken as a whole.

A handwritten signature in blue ink, appearing to read 'KPMG' with a stylized 'K' and a horizontal line underneath.

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 (reviewed)

		<i>(Reviewed)</i>	<i>(Audited)</i>
		<i>31 March</i>	<i>31 December</i>
		<i>2018</i>	<i>2017</i>
	<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		67,288	66,351
Sovereign Sukuk	3	359,562	363,569
Placements with financial institutions	4	172,468	141,225
Corporate Sukuk		8,958	10,419
Financing assets	5	744,779	743,340
Non-trading investments	7	110,777	111,325
Investment properties		73,706	66,782
Development properties		6,448	6,448
Investment in associates		17,217	16,835
Other assets	8	36,794	36,995
Goodwill		25,971	25,971
<b>TOTAL ASSETS</b>		<b>1,623,968</b>	<b>1,589,260</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Placements from banks	4	143,124	154,641
Placements from customers	9	605,278	597,848
Current accounts		308,550	283,886
Murabaha term financing		113,415	79,786
Other liabilities	10	60,639	50,381
<b>TOTAL LIABILITIES</b>		<b>1,231,006</b>	<b>1,166,542</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>	9	<b>98,660</b>	<b>118,881</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		214,093	214,093
Treasury stock		(2,104)	(1,879)
Reserves and retained earnings		81,736	91,016
Total equity attributable to shareholders of the Bank		293,725	303,230
Non-controlling interest		577	607
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>294,302</b>	<b>303,837</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND SHAREHOLDERS' EQUITY</b>		<b>1,623,968</b>	<b>1,589,260</b>



Khaleefa Butti Omair Al Muhairi  
Chairman



H.E. Shaikh Khalid bin Mustahail Al Mashani  
Deputy Chairman

The attached notes 1 to 16 form part of these condensed consolidated interim financial information.

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2018 (reviewed)

	31 March 2018	31 March 2017
Note	BD '000	BD '000 (Restated)
<b>OPERATING INCOME</b>		
Income from financing assets	11,980	10,802
Income from Sukuk	4,117	4,189
(Loss) / income from investments - net	(125)	1,150
Fair value changes on investments	(481)	288
Dividend income	110	260
Fees and commission	1,802	1,840
Other income	4,741	1,883
	<b>22,144</b>	<b>20,412</b>
Profit on placements from banks	(646)	(509)
Profit on placements from customers	(4,112)	(4,205)
Profit on Murabaha term financing	(592)	(485)
Return on equity of investment accountholders before Group's share as a Mudarib	(78)	(42)
Group's share as a Mudarib	35	19
	<b>(43)</b>	<b>(23)</b>
Total operating income	<b>16,751</b>	<b>15,190</b>
<b>OPERATING EXPENSES</b>		
Staff cost	2,819	2,613
Premises and equipment cost	460	381
Depreciation	208	535
Other operating expenses	2,310	2,330
Total operating expenses	<b>5,797</b>	<b>5,859</b>
<b>PROFIT BEFORE PROVISIONS AND RESULTS OF ASSOCIATES</b>		
	<b>10,954</b>	<b>9,331</b>
Net allowance for credit losses / impairment	(5,669)	(5,372)
Share of profit from associates	45	910
<b>NET PROFIT FOR THE PERIOD</b>	<b>5,330</b>	<b>4,869</b>
<b>ATTRIBUTABLE TO:</b>		
- Shareholders of the Bank	5,366	4,915
- Non-controlling interest	(36)	(46)
	<b>5,330</b>	<b>4,869</b>
<b>Weighted average number of shares (in '000)</b>	<b>2,121,713</b>	<b>2,125,394</b>
<b>Basic and diluted earnings per share (fils)</b>	<b>3</b>	<b>2</b>

  
Khaleefa Butti Omair Al Muhairi  
Chairman

  
H.E. Shaikh Khalid bin Mustahail Al Mashani  
Deputy Chairman

The attached notes 1 to 16 form part of these condensed consolidated interim financial information.

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2018 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank											
	Reserves								Total reserves	Total Owners' Equity	Non-controlling interest	Group Total Equity
	Share capital	Treasury stock	Share premium reserve	Statutory reserve	Retained earnings	Investment fair value reserve	Real estate fair value reserve	Foreign exchange translation reserve				
<b>Balance as of 1 January 2018</b>	<b>214,093</b>	<b>(1,879)</b>	<b>12,209</b>	<b>17,148</b>	<b>40,304</b>	<b>199</b>	<b>24,075</b>	<b>(2,919)</b>	<b>91,016</b>	<b>303,230</b>	<b>607</b>	<b>303,837</b>
Net profit for the period	-	-	-	-	5,366	-	-	-	5,366	5,366	(36)	5,330
Foreign currency re-translation	-	-	-	-	-	-	-	341	341	341	-	341
Dividend paid	-	-	-	-	(14,987)	-	-	-	(14,987)	(14,987)	-	(14,987)
Purchase of treasury stock	-	(225)	-	-	-	-	-	-	-	(225)	-	(225)
Net movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	6	6
<b>Balance at 31 March 2018</b>	<b>214,093</b>	<b>(2,104)</b>	<b>12,209</b>	<b>17,148</b>	<b>30,683</b>	<b>199</b>	<b>24,075</b>	<b>(2,578)</b>	<b>81,736</b>	<b>293,725</b>	<b>577</b>	<b>294,302</b>
Balance as of 1 January 2017	214,093	(1,646)	12,209	15,338	61,400	445	24,234	(2,708)	110,918	323,365	1,534	324,899
Transition adjustment on adoption of FAS 30 as of 1 January 2017	-	-	-	-	(26,759)	-	-	-	(26,759)	(26,759)	(12)	(26,771)
Restated balance as of 1 January 2017	214,093	(1,646)	12,209	15,338	34,641	445	24,234	(2,708)	84,159	296,606	1,522	298,128
Net profit for the period (Restated)	-	-	-	-	4,915	-	-	-	4,915	4,915	(46)	4,869
Net changes in fair value	-	-	-	-	-	603	-	-	603	603	-	603
Foreign currency re-translation	-	-	-	-	-	-	-	14	14	14	-	14
Dividend paid	-	-	-	-	(10,630)	-	-	-	(10,630)	(10,630)	-	(10,630)
Disposal of a subsidiary	-	-	-	-	-	-	(727)	-	(727)	(727)	(703)	(1,430)
Purchase of treasury stock	-	(66)	-	-	-	-	-	-	-	(66)	-	(66)
Balance at 31 March 2017 (Restated)	214,093	(1,712)	12,209	15,338	28,926	1,048	23,507	(2,694)	78,334	290,715	773	291,488

The attached notes 1 to 16 form part of these condensed consolidated interim financial information.

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2018 (reviewed)

	<b>31 March 2018 BD '000</b>	<b>31 March 2017 BD '000 (Restated)</b>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	5,330	4,869
Adjustments:		
Depreciation	208	535
Amortisation of premium on Sukuk - net	308	314
Fair value changes on investments	481	(288)
(Loss) / income from investments - net	125	(456)
Net allowance for credit losses / impairment	5,669	5,937
Share of profit from associates	(45)	(910)
Operating income before changes in operating assets and liabilities	<b>12,076</b>	10,001
<b>Changes in operating assets and liabilities:</b>		
Mandatory reserve with Central Bank	1,980	2,350
Financing assets	(7,872)	(37,551)
Other assets	(5,907)	8,752
Placements from banks	(11,517)	4,314
Placements from customers	7,430	(57,878)
Current accounts	24,664	(3,298)
Other liabilities	10,033	1,944
Equity of investment accountholders	(20,221)	4,511
Net cash from (used in) operating activities	<b>10,666</b>	(66,855)
<b>INVESTING ACTIVITIES</b>		
Sovereign Sukuk	3,695	(2,721)
Corporate Sukuk	1,455	9,855
Non-trading investments	62	1,319
Development properties	-	(678)
Investment in associates	-	555
Purchase of premises and equipment	(135)	(154)
Sale of a subsidiary	-	7,444
Net cash from investing activities	<b>5,077</b>	15,620
<b>FINANCING ACTIVITIES</b>		
Murabaha term financing	33,629	6,530
Dividends paid	(14,987)	(10,630)
Purchase of treasury stock	(225)	(66)
Net cash from (used in) financing activities	<b>18,417</b>	(4,166)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	<b>34,160</b>	(55,401)
Cash and cash equivalents at 1 January	175,352	284,928
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>209,512</b>	229,527
<b>Cash and cash equivalents comprise of:</b>		
Cash and other balances with Central Bank	9,352	59,396
Balances with other banks	27,692	20,512
Placements with financial institutions with original maturities of less than 90 days	172,468	149,619
	<b>209,512</b>	229,527

The attached notes 1 to 16 form part of these condensed consolidated interim financial information.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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31 March 2018

### 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 registered with Ministry of Industry, Commerce and Tourism ("MOICT") 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 operates under Islamic principles in accordance with all relevant regulatory guidelines for Islamic banks issued by the CBB. The Bank's registered office is P.O. Box 18282, Bahrain World Trade Center, East Tower, King Faisal Highway, Manama 316, Kingdom of Bahrain.

On 30 March 2014, the Bank acquired 100% stake in BMI Bank B.S.C.(c) ("BMI"), a closed shareholding company in the Kingdom of Bahrain, through exchange of shares. During January 2015, the Shari'a Supervisory Board approved BMI Bank to be an Islamic bank effective 1 January 2015.

On 29 November 2016, the shareholders of BMI resolved to approve the transfer of the operations of BMI to the Bank. The transfer of business was approved by the CBB on 17 April 2017 which was subsequently published in the official gazette dated 20 April 2017. The Bank has transferred majority of the BMI's rights and assumed all of its obligations at their respective carrying values.

During 2016, the Bank acquired 70% stake in Al Salam Bank Seychelles Limited ("ASBS").

The Bank and its principal subsidiary operates through 10 branches in the Kingdom of Bahrain and Seychelles and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted for under the CBB's Regulated Islamic Banking Services as defined in the licensing framework. The Bank's ordinary shares are listed in Bahrain Bourse and Dubai Financial Market.

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

These condensed consolidated interim financial information have been authorised for issue in accordance with a resolution of the Board of Directors dated 13 May 2018.

31 March 2018

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These condensed consolidated interim financial information have been prepared in accordance with the guidance given by International Accounting Standard 34 - "Interim Financial Reporting". These condensed consolidated interim financial information incorporate all assets, liabilities and off-balance sheet financial instruments held by the Group. The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, 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 line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial information 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 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

**Restatement**

The comparative figures in the condensed consolidated statements of income, changes in equity and cash flows for the three-month period ended 31 March 2018, have been restated since the Group early adopted FAS 30 "Impairment, Credit Losses and Onerous Commitments" in its audited consolidated financial statements for the year ended 31 December 2017, with a date of initial application of 1 January 2017.

The early adoption in 2017 required that the information of the interim periods of 2017 to be restated. The impact on restatements is set out below:

	<i>Previously reported</i>	<i>Effect of adoption of FAS 30</i>	<i>As reported herein</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
<b>Condensed consolidated income statement</b>			
Net allowance for credit losses / impairment	(5,937)	565	(5,372)
Profit for the period	4,304	565	4,869
Net profit attributable to Shareholders of the Bank	4,350	565	4,915
<b>Condensed consolidated statement of cash flows</b>			
Profit for the period	4,304	565	4,869
Total comprehensive loss for the period	4,921	565	5,486
Total comprehensive loss attributable to Shareholders of the Bank	5,035	565	5,600
<b>Total comprehensive income</b>			
Profit for the period	4,304	565	4,869

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.1 New standards, interpretations and amendments

These condensed consolidated interim financial information have been prepared using accounting policies, which are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017. There have been no new standards, interpretations and amendments during the period that might have any material impact on the condensed consolidated interim financial information of the Group.

#### 2.2 Seasonality

The Bank does not have significant income of a seasonal nature.

### 3 SOVEREIGN SUKUK

This includes BD 135,219 thousands (2016: BD 136,154 thousands) of Murabaha financing which are secured by sovereign securities.

### 4 PLACEMENTS WITH FINANCIAL INSTITUTIONS AND PLACEMENTS FROM BANKS

These represent short-term interbank placements to and from financial institution in the form of Murabaha and Wakala contracts.

	<i>(Reviewed)</i> 31 March 2018 BD '000	<i>(Audited)</i> 31 December 2017 BD '000
<b>Placements with financial institutions</b>		
Wakala asset	101,761	105,815
Commodity Murabaha asset	70,707	35,410
	<b>172,468</b>	<b>141,225</b>
<b>Placements from banks</b>		
Wakala liability	87,967	90,969
International Reverse Murabaha	55,157	63,672
	<b>143,124</b>	<b>154,641</b>

### 5 FINANCING ASSETS

	31 March 2018 (Reviewed)			
	Stage 1: 12- month ECL BD '000	Stage 2: Lifetime ECL not credit- impaired BD '000	Stage 3: Lifetime ECL credit- impaired BD '000	Total BD '000
Murabaha financing	165,877	1,758	42,508	210,143
Mudaraba financing	301,953	14,840	24,407	341,200
Ijarah financing	204,725	1,737	18,564	225,026
Musharaka financing	21,777	123	301	22,201
<b>Financing assets</b>	<b>694,332</b>	<b>18,458</b>	<b>85,780</b>	<b>798,570</b>
Allowance for credit losses	(10,764)	(1,587)	(41,440)	(53,791)
	<b>683,568</b>	<b>16,871</b>	<b>44,340</b>	<b>744,779</b>
	31 December 2017 (Audited)			
	Stage 1: 12- month ECL BD '000	Stage 2: Lifetime ECL not credit- impaired BD '000	Stage 3: Lifetime ECL credit- impaired BD '000	Total BD '000
Murabaha financing	176,909	33,057	16,516	226,482
Mudaraba financing	284,324	18,780	25,063	328,167
Ijarah financing	166,812	9,443	42,298	218,553
Musharaka financing	18,205	1,337	235	19,777
<b>Financing assets</b>	<b>646,250</b>	<b>62,617</b>	<b>84,112</b>	<b>792,979</b>
Allowance for credit losses	(11,112)	(15,980)	(22,547)	(49,639)
	<b>635,138</b>	<b>46,637</b>	<b>61,565</b>	<b>743,340</b>

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

**6 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT**

The balance of allowance for credit loss in the below table includes all financial assets and off-balance sheet exposures in addition to financing assets.

	<b>31 March 2018 (Reviewed)</b>			
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i>	<i>Stage 3: Lifetime ECL credit-impaired</i>	<i>Total ECL</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Balance at the beginning of the period</b>	<b>11,710</b>	<b>16,052</b>	<b>30,688</b>	<b>58,450</b>
<b>Changes due to receivables recognised in opening balance that have:</b>				
- transferred to Stage 1: 12 month ECL	2,263	(491)	(1,772)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(294)	2,046	(1,752)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(65)	(15,278)	15,343	-
Net remeasurement of loss allowance	4,930	1,072	20,596	26,598
Recoveries / write-backs	(6,012)	(1,715)	(13,081)	(20,808)
<b>Allowance for credit losses</b>	<b>822</b>	<b>(14,366)</b>	<b>19,334</b>	<b>5,790</b>
Exchange adjustments and other movements	-	-	126	<b>126</b>
Amounts written off during the period	-	-	(2,601)	<b>(2,601)</b>
<b>Balance at the end of the period</b>	<b>12,532</b>	<b>1,686</b>	<b>47,547</b>	<b>61,765</b>

	<b>31 March 2018 (Reviewed)</b>			
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i>	<i>Stage 3: Lifetime ECL credit-impaired</i>	<i>Total ECL</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Cash and balances with banks and Central Bank	2	-	-	2
Sovereign Sukuk	8	-	-	8
Placements with financial institutions	2	-	-	2
Corporate Sukuk	3	-	-	3
Financing assets	10,764	1,587	41,440	53,791
Other assets	725	100	6,061	6,886
Off balance sheet	1,031	-	42	1,073
	<b>12,535</b>	<b>1,687</b>	<b>47,543</b>	<b>61,765</b>

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

**6 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)**

	<i>31 March 2017 (Reviewed)</i>			
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2:</i>	<i>Stage 3:</i>	<i>Total ECL</i>
		<i>Lifetime ECL</i>	<i>Lifetime</i>	
		<i>not credit-impaired</i>	<i>ECL credit-impaired</i>	
<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	
Balance at the beginning of the period	9,644	17,625	46,230	73,499
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1: 12 month ECL	(65)	65	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	1,217	(1,225)	8	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(1,836)	1,836	-
Net remeasurement of loss allowance	(285)	244	5,017	4,976
Recoveries / write-backs	(60)	(36)	(555)	(651)
Allowance for credit losses	807	(2,788)	6,306	4,325
Amounts written off during the period	-	(4)	(2,067)	(2,071)
Balance at the end of the period	10,451	14,833	50,469	75,753

	<i>31 March 2017 (Reviewed)</i>			
	<i>Stage 1: 12-month ECL</i>	<i>Lifetime ECL</i>	<i>Lifetime</i>	<i>Total ECL</i>
		<i>not credit-impaired</i>	<i>ECL credit-impaired</i>	
		<i>BD '000</i>	<i>BD '000</i>	
Cash and balances with banks and Central Bank	7	-	-	7
Placements with financial institutions	30	-	-	30
Corporate Sukuk	32	-	2	34
Financing assets	17,040	14,342	35,567	66,949
Investment in associates	587	-	-	587
Other assets	523	180	6,039	6,742
Off balance sheet	541	332	531	1,404
	18,760	14,854	42,139	75,753

**6.1 Movements in impairment allowances for equity investments**

	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2018</i>	<i>2017</i>
	<i>BD '000</i>	<i>BD '000</i>
Balance at the beginning of the period	3,251	8,624
Impairment during the period	-	1,047
Reversal on recoveries	(121)	-
<b>Balance at the end of the period</b>	<b>3,130</b>	<b>9,671</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

#### 7 NON-TRADING INVESTMENTS

Non-trading investments comprise investments in equity securities and are classified as fair value through equity or fair value through profit or loss.

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

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

#### Fair value hierarchy

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; or

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 non-trading investments carried at fair value in the consolidated statement of financial position:

31 March 2018	------(Reviewed)-----			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Financial assets at fair value through profit or loss	5,659	5,324	97,862	108,845
Financial assets at fair value through equity	-	-	1,932	1,932
	<b>5,659</b>	<b>5,324</b>	<b>99,794</b>	<b>110,777</b>

  

31 December 2017	------(Audited)-----			
	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Financial assets at fair value through profit or loss	5,903	5,561	97,929	109,393
Financial assets at fair value through equity	-	-	1,932	1,932
	<b>5,903</b>	<b>5,561</b>	<b>99,861</b>	<b>111,325</b>

During the period, there was no transfers between the levels.

The movements in fair value of non-trading investments classified in Level 3 of the fair value hierarchy are as follows:

	(Reviewed)	(Audited)
	31 March 2018 BD '000	31 December 2017 BD '000
<b>At beginning of the period</b>	<b>99,861</b>	105,339
Fair value changes	(19)	1,228
Provision for impairment	-	(726)
Disposals during the period	(48)	(2,346)
Repayments during the period	-	(3,634)
<b>At end of the period</b>	<b>99,794</b>	<b>99,861</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

### 8 OTHER ASSETS

	<i>(Reviewed)</i> <b>31 March</b> 2018 <i>BD '000</i>	<i>(Audited)</i> <b>31 December</b> 2017 <i>BD '000</i>
<b>Assets under conversion (a)</b>		
Loans and advances to customers	23,632	25,585
Non-trading investments - fair value through equity (b)	1,042	1,359
Non-trading investments - debt	29	29
	<b>24,703</b>	26,973
Other receivables and advances	5,794	4,745
Credit card receivables - net	2,958	2,437
Prepayments	1,708	1,136
Premises and equipment	1,631	1,704
	<b>36,794</b>	36,995

(a) These represent non-Shari'a compliant assets resulting from the acquisition of ASBS, BMI B.S.C. (c) and Bahraini Saudi Bank B.S.C. ("ex-BSB"). Any income derived from these assets are allocated to charity payable and as such are not recognised in the condensed consolidated income statement. During the period under review, Shari'a prohibited income amounting to BD 183 thousands have been recorded under charity payable, under "Accounts payable and accruals" of note 10.

(b) The above fair value through equity investments are classified as Level 3 in the fair value hierarchy (note 7).

Movements in fair value through equity investments are as follows:

	<i>Fair value measurement using significant unobservable inputs Level 3</i>	
	<i>(Reviewed)</i> <b>31 March</b> 2018 <i>BD '000</i>	<i>(Audited)</i> <b>31 December</b> 2017 <i>BD '000</i>
<b>At beginning of the period</b>	1,359	1,341
Recovery	120	-
Disposals during the period	(144)	-
Fair value changes	(293)	-
Transfer during the period	-	18
<b>At end of the period</b>	<b>1,042</b>	1,359

### Financial contracts under other assets

	<b>31 March 2018 (Reviewed)</b>			
	<i>Stage 1: 12- month ECL</i> <i>BD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired</i> <i>BD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
Loans and advances to customers	13,816	560	19,100	33,476
Allowance for credit losses	(725)	(100)	(6,061)	(6,886)
	<b>13,091</b>	<b>460</b>	<b>13,039</b>	<b>26,590</b>

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

#### 8 OTHER ASSETS (continued)

	31 December 2017 (Audited)			Total BD '000
	Stage 1: 12- month ECL BD '000	Stage 2: Lifetime ECL not credit- impaired BD '000	Stage 3: Lifetime ECL credit- impaired BD '000	
	Loans and advances to customers	10,941	372	
Allowance for credit losses	(149)	(41)	(7,874)	(8,064)
	<u>10,792</u>	<u>331</u>	<u>16,899</u>	<u>28,022</u>

#### 9 PLACEMENTS FROM CUSTOMERS

Placement from customer represents wakala / proceeds (wakala capital and generated profit) payable at respective maturity dates. These wakala proceeds have stated maturities while "Equity of Investment Accountholders" are managed through Mudaraba that have no specified maturity dates.

#### 10 OTHER LIABILITIES

	(Reviewed) 31 March 2018 BD '000	(Audited) 31 December 2017 BD '000
Dividend payable	19,578	4,704
Accounts payable and accruals	18,088	21,555
Profit payable on placements	7,104	5,293
Investment related payables	3,696	7,208
Project payables	4,645	4,645
Liabilities under conversion	3,618	2,729
End of service benefits and other employee related accruals	2,838	3,402
Allowance for credit losses relating to financing commitments and financial guarantee contracts	1,072	845
	<u>60,639</u>	<u>50,381</u>

#### 11 OTHER INCOME

Other income primarily comprises BD 4,709 thousands of recoveries from pre-acquisition financing assets which were fully provided on the date of acquisition.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

#### 12 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, associates, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership or directors with that of the Bank. The transactions with these parties were made on commercial terms and approved by the Board of Directors.

The balances with related parties at 31 March 2018 and 31 December 2017 were as follows:

	<i>31 March 2018 (Reviewed)</i>				
	<i>Associates and joint ventures BD '000</i>	<i>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	-	183	-	-	183
Placements with financial institutions	-	3,770	-	-	3,770
Financing assets	18,325	-	4,967	701	23,993
Non trading investments	90,774	-	-	-	90,774
Investment in associates	17,217	-	-	-	17,217
Other assets	1	1	82	37	121
<b>Liabilities and equity of investment accountholders:</b>					
Placements from banks	-	2,903	-	-	2,903
Placements from customers	1,295	25,872	442	1,055	28,664
Current accounts	191	1,256	2,083	261	3,791
Equity of investment accountholders	-	-	594	216	810
Other liabilities	54	135	3	19	211
Contingent liabilities and commitments	842	488	-	-	1,330
	<i>31 December 2017 (Audited)</i>				
	<i>Associates and joint ventures BD '000</i>	<i>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	-	107	-	-	107
Financing assets	16,203	-	5,872	882	22,957
Non-trading investments	90,915	-	-	-	90,915
Investment in associates	16,835	-	-	-	16,835
Other assets	94	8	201	36	339
<b>Liabilities and equity of investment accountholders:</b>					
Placements from banks	-	5,655	-	-	5,655
Placements from customers	1,860	17,295	426	2,314	21,895
Current accounts	321	2,214	775	158	3,468
Equity of investment accountholders	-	-	555	200	755
Other liabilities	284	101	6	19	410
<b>Equity:</b>					
Transition adjustment	12,317	-	-	-	12,317
Contingent liabilities and commitments	1,261	509	-	-	1,770

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

**12 RELATED PARTY TRANSACTIONS (continued)**

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

	<i>31 March 2018 (Reviewed)</i>				
	<i>Associates and joint ventures</i>	<i>Major shareholders</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Income:</b>					
Income from financing assets	81	5	85	4	175
Income from investments	(104)	-	-	-	(104)
Share of profits from associates	45	-	-	-	45
<b>Expenses:</b>					
Profit on placements from banks	-	15	-	-	15
Profit on placements from customers	6	108	2	8	124
Other operating expenses	-	-	379	-	379
	<i>31 March 2017 (Reviewed)</i>				
	<i>Associates and joint ventures</i>	<i>Major shareholders</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
<b>Income:</b>					
Income from financing assets	39	8	29	2	78
Income from investments	1,164	-	-	-	1,164
Share of profits from associates	910	-	-	-	910
<b>Expenses:</b>					
Profit on placements from customers	14	89	1	8	112
Share of profits on equity of investment account holders	-	-	1	-	1
Other operating expenses	-	-	147	-	147
Allowance for credit losses	4,159	-	-	-	4,159

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

#### 13 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Contingent liabilities on behalf of customers</b>		
Guarantees	<b>19,054</b>	19,419
Letters of credit	<b>18,878</b>	10,767
Acceptances	<b>1,515</b>	954
	<b>39,447</b>	31,140
<b>Irrevocable unutilised commitments</b>		
Unutilised financing commitments	<b>75,289</b>	81,941
Unutilised non-funded commitments	<b>17,814</b>	9,594
	<b>93,103</b>	91,535
<b>Forward foreign exchange contracts - notional amount</b>	<b>30,860</b>	37,814

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 commitments may expire without being utilized, 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>(Reviewed)</i>	<i>(Audited)</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>BD '000</i>	<i>BD '000</i>
Within 1 year	<b>1,239</b>	1,204
After one year but not more than five years	<b>1,960</b>	1,971
	<b>3,199</b>	3,175

#### 14 SEGMENT INFORMATION

##### Primary segment information

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

<b>Banking</b>	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.
<b>Treasury</b>	Principally handling Shari'a compliant money market, trading and treasury services including short-term commodity Murabaha.
<b>Investments</b>	Principally the Group's proprietary portfolio and serving clients with a range of investment products, funds and alternative investments.
<b>Capital</b>	Manages the undeployed capital of the Group by investing it in high quality financial contracts, incurs all expenses in managing such investments and accounts for the capital governance related expenses.

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

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2018

#### 14 SEGMENT INFORMATION (continued)

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 2018 was as follows:

	<i>31 March 2018 (Reviewed)</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	11,395	4,236	(320)	1,440	16,751
Segment result	2,127	5,173	(2,740)	770	5,330
Segment assets	737,472	661,656	208,244	16,596	1,623,968
Segment liabilities and equity	936,926	357,864	8,841	320,337	1,623,968

Goodwill resulting from BMI acquisition is allocated to banking segment.

Segment information for the period ended 31 March 2017 was as follows:

	<i>31 March 2017 (Reviewed)</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	8,741	3,044	1,155	2,250	15,190
Segment result	1,916	2,407	302	244	4,869

Segment information for the year ended 31 December 2017 (Audited) was as follows:

Segment assets	748,998	620,251	198,249	21,762	1,589,260
Segment liabilities and equity	915,779	330,513	16,954	326,014	1,589,260

Goodwill resulting from BMI acquisition is allocated to banking segment.

#### 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.

#### 15 FINANCIAL CONTRACTS NOT AT FAIR VALUE

The fair value of sovereign sukuk is BD 351,044 thousands (2017: BD 361,172 thousands) having a carrying value of BD 355,071 thousands (2017: BD 357,778 thousands) and the fair value of corporate sukuk is BD 9,029 thousands (2017: BD 10,339 thousands) having a carrying value of BD 8,810 thousands (2017: BD 10,324 thousands). The estimated fair values of other financial assets are not expected to be materially different to their carrying values as of 31 March 2018 and 31 December 2017.

#### 16 COMPARATIVE FIGURES

In addition to restatement due to adoption of FAS 30 (refer note 2), certain of the prior year figures have been regrouped to conform to the current period presentation. Such regrouping does not affect previously reported net profit, total assets, total liabilities and total equity of the Group.