

Al Salam Bank-Bahrain B.S.C.
CONDENSED
CONSOLIDATED INTERIM FINANCIAL
INFORMATION
30 June 2018

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

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

7 August 2018

Introduction

We have reviewed the accompanying 30 June 2018 condensed consolidated interim financial information of Al Salam Bank-Bahrain B.S.C (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2018;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2018;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2018;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 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 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 30 June 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with 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

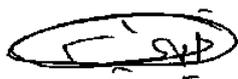
The consolidated financial statements of the Group as at and for the year ended 31 December 2017, and the condensed consolidated interim financial information for the six-month period ended 30 June 2017, from which the corresponding figures of consolidated statements of financial position, income statement, 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 7 August 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 and six-month periods ended 30 June 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.

Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (reviewed)

		<i>(Reviewed)</i>	<i>(Audited)</i>
		<i>30 June</i>	<i>31 December</i>
		<i>2018</i>	<i>2017</i>
	<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>
ASSETS			
Cash and balances with banks and Central Bank		60,539	66,351
Sovereign Sukuk	3	360,431	363,569
Placements with financial institutions	4	154,582	141,225
Corporate Sukuk		8,865	10,419
Financing assets	5	769,616	745,745
Non-trading investments	7	110,554	111,325
Investment properties		75,545	66,782
Development properties		6,448	6,448
Investment in associates		17,121	16,835
Other assets	8	25,431	34,558
Goodwill		25,971	25,971
TOTAL ASSETS		1,615,103	1,589,228
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Placements from banks	4	153,449	154,965
Placements from customers	9	622,907	602,784
Current accounts		277,866	283,886
Murabaha term financing		120,859	79,786
Other liabilities	10	40,354	45,089
TOTAL LIABILITIES		1,215,435	1,166,510
EQUITY OF INVESTMENT ACCOUNTHOLDERS	11	101,552	118,881
SHAREHOLDERS' EQUITY			
Share capital		214,093	214,093
Treasury stock		(2,104)	(1,879)
Reserves and retained earnings		85,567	91,016
Total equity attributable to shareholders of the Bank		297,556	303,230
Non-controlling interest		560	607
TOTAL SHAREHOLDERS' EQUITY		298,116	303,837
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND SHAREHOLDERS' EQUITY		1,615,103	1,589,228



Khaleefa Butti Omair Al Muhairi
Chairman



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



Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 17 form part of these condensed consolidated interim financial information.

Al Salam Bank-Bahrain B.S.C.

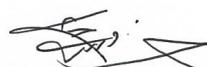
CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2018 (reviewed)

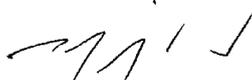
	<i>Three months ended 30 June 2018 BD '000</i>	<i>Three months ended 30 June 2017 BD '000 (Restated)</i>	<i>Six months ended 30 June 2018 BD '000</i>	<i>Six months ended 30 June 2017 BD '000 (Restated)</i>
OPERATING INCOME				
Income from financing assets	11,143	10,822	23,123	21,624
Income from Sukuk	4,152	4,164	8,269	8,353
Income from investments	350	767	225	1,917
Fair value changes on investments	(67)	(563)	(548)	(275)
Dividend income	67	147	177	407
Fees and commission	1,476	1,821	3,278	3,661
Other income	3,057	2,843	7,798	4,726
	20,178	20,001	42,322	40,413
Profit on placements from banks	(760)	(472)	(1,406)	(981)
Profit on placements from customers	(4,418)	(3,801)	(8,530)	(8,006)
Profit on Murabaha term financing	(802)	(637)	(1,394)	(1,122)
Return on equity of investment accountholders before Group's share as a Mudarib	(108)	(49)	(190)	(91)
Group's share as a Mudarib	74	22	113	41
	(34)	(27)	(77)	(50)
Total operating income	14,164	15,064	30,915	30,254
OPERATING EXPENSES				
Staff cost	3,144	2,708	5,963	5,321
Premises and equipment cost	516	346	976	727
Depreciation	231	298	439	833
Other operating expenses	2,519	2,447	4,829	4,777
Total operating expenses	6,410	5,799	12,207	11,658
PROFIT BEFORE PROVISIONS AND RESULTS OF ASSOCIATES	7,754	9,265	18,708	18,596
Net allowance for credit losses / impairment	(4,178)	(4,685)	(9,847)	(10,057)
Share of profit from associates	514	-	559	910
NET PROFIT FOR THE PERIOD	4,090	4,580	9,420	9,449
ATTRIBUTABLE TO:				
- Shareholders of the Bank	4,107	4,616	9,473	9,531
- Non-controlling interest	(17)	(36)	(53)	(82)
	4,090	4,580	9,420	9,449
Weighted average number of shares (in '000)	2,121,713	2,125,092	2,121,713	2,125,092
Basic and diluted earnings per share (fils)	2	2	4	4



Khaleefa Butti Omair Al Muhairi
Chairman



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



Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 17 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 six month period ended 30 June 2018 (reviewed)

Amounts in BD '000s

	<i>Attributable to shareholders of the Bank</i>											
	<i>Reserves</i>								<i>Total reserves</i>	<i>Total Owners' Equity</i>	<i>Non-controlling interest</i>	<i>Group Total Equity</i>
	<i>Share capital</i>	<i>Treasury stock</i>	<i>Share premium reserve</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Investment fair value reserve</i>	<i>Real estate fair value reserve</i>	<i>Foreign exchange translation reserve</i>				
Balance as of 1 January 2018	214,093	(1,879)	12,209	17,148	40,304	199	24,075	(2,919)	91,016	303,230	607	303,837
Net profit for the period	-	-	-	-	9,473	-	-	-	9,473	9,473	(53)	9,420
Foreign currency re-translation	-	-	-	-	-	-	-	(70)	(70)	(70)	-	(70)
Dividend paid	-	-	-	-	(14,852)	-	-	-	(14,852)	(14,852)	-	(14,852)
Purchase of treasury stock	-	(225)	-	-	-	-	-	-	-	(225)	-	(225)
Net movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	6	6
Balance at 30 June 2018	214,093	(2,104)	12,209	17,148	34,925	199	24,075	(2,989)	85,567	297,556	560	298,116
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)	-	-	-	-	9,531	-	-	-	9,531	9,531	(82)	9,449
Net changes in fair value	-	-	-	-	-	947	-	-	947	947	-	947
Foreign currency re-translation	-	-	-	-	-	-	-	85	85	85	-	85
Dividend paid	-	-	-	-	(10,626)	-	-	-	(10,626)	(10,626)	-	(10,626)
Disposal of a subsidiary	-	-	-	-	-	-	(727)	-	(727)	(727)	(702)	(1,429)
Purchase of treasury stock	-	(87)	-	-	-	-	-	-	-	(87)	-	(87)
Balance at 30 June 2017 (Restated)	214,093	(1,733)	12,209	15,338	33,546	1,392	23,507	(2,623)	83,369	295,729	738	296,467

The attached notes 1 to 17 form part of these condensed consolidated interim financial information.

Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2018 (reviewed)

	<i>Six months ended</i>	<i>Six months ended</i>
	<i>30 June 2018</i>	<i>30 June 2017</i>
	<i>BD '000</i>	<i>BD '000</i>
		<i>(Restated)</i>
OPERATING ACTIVITIES		
Net profit for the period	9,420	9,449
Adjustments:		
Depreciation	439	833
Amortisation of premium on Sukuk - net	606	602
Fair value changes on investments	548	275
Income from investments	(225)	(1,917)
Net allowance for credit losses / impairment	9,847	10,057
Share of profit from associates	(559)	(910)
Operating income before changes in operating assets and liabilities	<u>20,076</u>	18,389
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	3,748	(1,798)
Financing assets	(34,263)	(51,865)
Other assets	786	(4,939)
Placements from banks	(1,312)	(11,935)
Placements from customers	20,123	(86,301)
Current accounts	(6,020)	40,121
Other liabilities	(8,687)	4,466
Equity of investment accountholders	(17,329)	7,471
Net cash used in operating activities	<u>(22,878)</u>	<u>(86,391)</u>
INVESTING ACTIVITIES		
Sovereign Sukuk	2,538	(6,472)
Corporate Sukuk	1,547	17,053
Non-trading investments	568	2,049
Development properties	-	(2,475)
Investment in associates	-	929
Purchase of premises and equipment	(385)	(336)
Sale of a subsidiary	-	6,990
Net cash from investing activities	<u>4,268</u>	<u>17,738</u>
FINANCING ACTIVITIES		
Murabaha term financing	41,073	6,208
Dividends paid	(10,945)	(10,626)
Purchase of treasury stock	(225)	(87)
Net cash from/(used in) financing activities	<u>29,903</u>	<u>(4,505)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,293	(73,158)
Cash and cash equivalents at 1 January	175,352	284,928
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>186,645</u>	<u>211,770</u>
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank	8,628	20,326
Balances with other banks	23,435	45,398
Placements with financial institutions with original maturities of less than 90 days	154,582	146,046
	<u>186,645</u>	<u>211,770</u>

The attached notes 1 to 17 form part of these condensed consolidated interim financial information.

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

1 REPORTING ENTITY

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".

This condensed consolidated interim financial information has been authorised for issue in accordance with a resolution of the Board of Directors dated 7 August 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. 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").

This condensed consolidated interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with AAOIFI.

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Restatement

The comparative figures in the condensed consolidated statements of income, changes in equity and cash flows for the six-month period ended 30 June 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>Three months ended 30 June 2017</i>		
	<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>
Condensed consolidated income statement			
Net allowance for credit losses / impairment	(5,174)	489	(4,685)
Net profit for the period	4,091	489	4,580
Net profit attributable to Shareholders of the Bank	4,127	489	4,616
	<i>Six months ended 30 June 2017</i>		
	<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>
Condensed consolidated income statement			
Net allowance for credit losses / impairment	(11,111)	1,054	(10,057)
Net profit for the period	8,395	1,054	9,449
Net profit attributable to Shareholders of the Bank	8,477	1,054	9,531
Condensed consolidated statement of cash flows			
Net profit for the period	8,395	1,054	9,449

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.

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

3 SOVEREIGN SUKUK

This includes BD 181,458 thousands (2017: BD 116,007 thousands) of sukuk which are pledged against Murabaha term financing of 120,859 thousands (2017: BD 79,786 thousands).

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> 30 June 2018 BD '000	<i>(Audited)</i> 31 December 2017 BD '000
Placements with financial institutions		
Wakala asset	105,060	105,815
Commodity Murabaha asset	49,522	35,410
	154,582	141,225
Placements from banks		
Wakala liability	85,585	91,051
Commodity Murabaha Liability	67,864	63,914
	153,449	154,965

5 FINANCING ASSETS

	30 June 2018 (Reviewed)			
	<i>Stage 1: 12-month ECL</i> BD '000	<i>Stage 2: Lifetime ECL not credit-impaired</i> BD '000	<i>Stage 3: Lifetime ECL credit-impaired</i> BD '000	Total BD '000
Murabaha financing	167,548	3,119	59,234	229,901
Mudaraba financing	303,884	19,527	31,237	354,648
Ijarah financing	205,613	13,911	17,614	237,138
Musharaka financing	22,662	-	474	23,136
Credit cards	2,751	80	267	3,098
Financing assets	702,458	36,637	108,826	847,921
Allowance for credit losses	(10,277)	(2,914)	(65,114)	(78,305)
	692,181	33,723	43,712	769,616
	31 December 2017 (Audited)			
	<i>Stage 1: 12-month ECL</i> BD '000	<i>Stage 2: Lifetime ECL not credit-impaired</i> BD '000	<i>Stage 3: Lifetime ECL credit-impaired</i> BD '000	Total BD '000
Murabaha financing	176,909	33,057	33,328	243,294
Mudaraba financing	284,292	18,780	30,871	333,943
Ijarah financing	166,812	9,443	42,298	218,553
Musharaka financing	18,205	1,337	235	19,777
Credit cards	1,801	-	1,456	3,257
Financing assets	648,019	62,617	108,188	818,824
Allowance for credit losses	(11,154)	(15,980)	(45,945)	(73,079)
	636,865	46,637	62,243	745,745

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 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.

	30 June 2018 (Reviewed)			
	<i>Stage 1: 12-month ECL BD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BD '000</i>	<i>Total ECL BD '000</i>
Balance at the beginning of the period	11,749	16,052	53,308	81,109
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1: 12 month ECL	923	(318)	(605)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(201)	1,394	(1,193)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(280)	(15,220)	15,500	-
Net remeasurement of loss allowance	(1,153)	1,284	14,210	14,341
Recoveries / write-backs	(322)	(198)	(3,853)	(4,373)
Allowance for credit losses	(1,033)	(13,058)	24,059	9,968
Exchange adjustments and other movements	-	-	(159)	(159)
Amounts written off during the period	-	-	(4,702)	(4,702)
Balance at the end of the period	10,716	2,994	72,506	86,216

	30 June 2018 (Reviewed)			
	<i>Stage 1: 12-month ECL BD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BD '000</i>	<i>Total ECL BD '000</i>
Placements with financial institutions	2	-	-	2
Corporate Sukuk	1	-	-	1
Financing assets	10,277	2,914	65,114	78,305
Loans and advances to customers				
- Assets under conversion (note 8)	21	26	4,333	4,380
Other receivables	64	-	2,571	2,635
Off balance sheet	351	54	488	893
	10,716	2,994	72,506	86,216

Al Salam Bank-Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

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

	30 June 2017 (Reviewed)			
		<i>Lifetime</i>	<i>Stage 3:</i>	
	<i>Stage 1: 12-</i>	<i>ECL not</i>	<i>Lifetime ECL</i>	<i>Total ECL</i>
	<i>month ECL</i>	<i>credit-</i>	<i>credit-</i>	
	<i>impaired</i>	<i>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	9,103	17,625	46,230	72,958
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1: 12 month ECL	1,562	(946)	(616)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(108)	508	(400)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(14)	(2,435)	2,449	-
Net remeasurement of loss allowance	(354)	1,211	7,965	8,822
Recoveries / write-backs	(290)	(39)	(172)	(501)
Allowance for credit losses	796	(1,701)	9,226	8,321
Amounts written off during the period	(3)	(68)	(2,129)	(2,200)
Balance at the end of the period	9,896	15,856	53,327	79,079

	30 June 2017 (Reviewed)			
		<i>Lifetime</i>	<i>Stage 3:</i>	
	<i>Stage 1: 12-</i>	<i>ECL not</i>	<i>Lifetime ECL</i>	<i>Total ECL</i>
	<i>month ECL</i>	<i>credit-</i>	<i>credit-</i>	
	<i>impaired</i>	<i>impaired</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
Placements with financial institutions	5	-	-	5
Corporate Sukuk	11	-	-	11
Financing assets	8,889	15,094	47,930	71,913
Loans and advances to customers				
- Assets under conversion	326	33	4,411	4,770
Off balance sheet	663	729	986	2,378
	9,896	15,856	53,327	79,079

6.1 Movements in impairment allowances for equity investments

	(Reviewed)	(Reviewed)
	30 June	30 June
	2018	2017
	BD '000	BD '000
Balance at the beginning of the period	3,251	8,624
Impairment during the period	-	1,047
Reversal on recoveries	(121)	-
Balance at the end of the period	3,130	9,671

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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:

30 June 2018	------(Reviewed)-----			
	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Financial assets at fair value through profit or loss	5,424	5,492	97,706	108,622
Financial assets at fair value through equity	-	-	1,932	1,932
	5,424	5,492	99,638	110,554
	------(Audited)-----			
31 December 2017	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	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
	5,903	5,561	99,861	111,325

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)
	30 June	31 December
	2018	2017
	BD '000	BD '000
At beginning of the period	99,861	105,339
Fair value changes	(174)	1,228
Provision for impairment	-	(726)
Disposals during the period	(49)	(2,346)
Repayments during the period	-	(3,634)
At end of the period	99,638	99,861

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8 OTHER ASSETS

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>BD '000</i>	<i>BD '000</i>
Assets under conversion (a)		
Loans and advances to customers	13,491	24,659
Non-trading investments - fair value through equity (b)	1,042	1,359
Non-trading investments - debt	546	955
	15,079	26,973
Other receivables and advances	7,304	4,745
Prepayments	1,398	1,136
Premises and equipment	1,650	1,704
	25,431	34,558

(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 171 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.

Movements in fair value through equity investments are as follows:

	<i>Fair value measurement using significant unobservable inputs</i>	
	<i>Level 3</i>	
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>BD '000</i>	<i>BD '000</i>
At beginning of the period	1,359	1,341
Recovery	120	-
Disposals during the period	(144)	-
Fair value changes	(293)	-
Transfer during the period	-	18
At end of the period	1,042	1,359

Loans and advances to customers - Assets under conversion

	30 June 2018 (Reviewed)			
	<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</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Loans and advances to customers	2,366	698	14,754	17,818
Allowance for credit losses	(21)	(26)	(4,333)	(4,380)
	2,345	672	10,421	13,438

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8 OTHER ASSETS (continued)

	<i>31 December 2017 (Audited)</i>			
	<i>Stage 2:</i>		<i>Stage 3:</i>	
	<i>Lifetime</i>	<i>Lifetime</i>	<i>Lifetime</i>	<i>Total</i>
	<i>ECL not</i>	<i>credit-</i>	<i>ECL</i>	<i>BD '000</i>
<i>Stage 1: 12-</i>	<i>impaired</i>	<i>impaired</i>	<i>BD '000</i>	
<i>month ECL</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Loans and advances to customers	8,215	372	23,317	31,904
Allowance for credit losses	(107)	(41)	(7,097)	(7,245)
	<u>8,108</u>	<u>331</u>	<u>16,220</u>	<u>24,659</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

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>BD '000</i>	<i>BD '000</i>
Dividend payable	8,471	4,704
Accounts payable and accruals	20,811	21,556
Investment related payables	3,513	7,208
Project payables	-	4,645
Liabilities under conversion	3,817	2,729
End of service benefits and other employee related accruals	2,849	3,402
Allowance for credit losses relating to financing commitments and financial guarantee contracts	893	845
	<u>40,354</u>	<u>45,089</u>

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>
	<i>BD '000</i>	<i>BD '000</i>
Savings accounts	63,384	58,014
Call accounts	13,256	37,932
Margin accounts	24,912	22,935
	<u>101,552</u>	<u>118,881</u>

12 OTHER INCOME

Other income primarily comprises BD 6,546 thousands of recoveries from pre-acquisition financing assets which were fully provided on the date of acquisition.

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13 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 30 June 2018 and 31 December 2017 were as follows:

	<i>30 June 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>
Assets:					
Cash and balances with banks and					
Central Bank	-	108	-	-	108
Financing assets	14,884	10	9,934	778	25,606
Non trading investments	91,321	-	-	-	91,321
Investment in associates	17,121	-	-	-	17,121
Liabilities and equity of investment accountholders:					
Placements from banks	-	5,661	-	-	5,661
Placements from customers	1,994	45,765	50	2,231	50,040
Current accounts	8,362	2,662	179	155	11,358
Equity of investment accountholders	-	-	-	218	218
Other liabilities	51	1,069	-	1	1,121
Contingent liabilities and commitments	735	488	-	-	1,223
	<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>
Assets:					
Cash and balances with banks and					
Central Bank	-	107	-	-	107
Financing assets	16,297	8	6,073	918	23,296
Non-trading investments	90,915	-	-	-	90,915
Investment in associates	16,835	-	-	-	16,835
Liabilities and equity of investment accountholders:					
Placements from banks	-	5,658	-	-	5,658
Placements from customers	1,864	17,393	432	2,333	22,022
Current accounts	321	2,214	775	158	3,468
Equity of investment accounthold	-	-	555	200	755
Other liabilities	280	-	-	-	280
Equity:					
Transition adjustment	12,317	-	-	-	12,317
Contingent liabilities and commitments	1,261	509	-	-	1,770

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

13 RELATED PARTY TRANSACTIONS (continued)

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

	<i>30 June 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>
Income:					
Income from financing assets	182	14	256	9	461
Income from investments	475	-	-	-	475
Fair value changes on investments	(69)	-	-	-	(69)
Dividend income	85	-	-	-	85
Share of profits from associates	559	-	-	-	559
Expenses:					
Profit on placements from banks	-	36	-	-	36
Profit on placements from custom	16	382	2	25	425
Other operating expenses	-	-	409	-	409
Allowance for credit losses	1,910	-	-	-	1,910

	<i>30 June 2017 (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>
Income:					
Income from financing assets	78	16	122	5	221
Income from investments	1,544	-	-	-	1,544
Fair value changes on investments	393	-	-	-	393
Dividend income	122	-	-	-	122
Share of profits from associates	910	-	-	-	910
Expenses:					
Profit on placements from custom	49	148	4	27	228
Share of profits on equity of investment account holders	-	-	2	-	2
Other operating expenses	-	-	637	-	637
Allowance for credit losses	2,833	-	-	-	2,833

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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14 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Reviewed)</i> 30 June <i>2018</i> BD '000	<i>(Audited)</i> 31 December <i>2017</i> BD '000
Contingent liabilities on behalf of customers		
Guarantees	20,979	19,419
Letters of credit	13,778	10,767
Acceptances	1,547	954
	36,304	31,140
Irrevocable unutilised commitments		
Unutilised financing commitments	73,685	81,941
Unutilised non-funded commitments	17,711	9,594
	91,396	91,535
Forward foreign exchange contracts - notional amount	49,407	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> 30 June <i>2018</i> BD '000	<i>(Audited)</i> 31 December <i>2017</i> BD '000
Within 1 year	1,163	1,204
After one year but not more than five years	1,698	1,971
	2,861	3,175

15 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 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 contracts, incurs all expenses in managing such investments and accounts for the capital governance related expenses.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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15 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 30 June 2018 was as follows:

	<i>30 June 2018 (Reviewed)</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	20,895	7,979	643	1,398	30,915
Segment result	3,387	7,905	(2,608)	736	9,420
Segment assets	749,322	638,359	210,928	16,494	1,615,103
Segment liabilities and equity	878,125	395,314	21,184	320,480	1,615,103

Goodwill resulting from BMI acquisition is allocated to banking segment.

Segment information for the period ended 30 June 2017 was as follows:

	<i>30 June 2017 (Reviewed)</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	19,290	7,051	800	3,113	30,254
Segment result	6,117	5,783	(899)	(1,552)	9,449

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

Segment assets	748,966	620,251	198,249	21,762	1,589,228
Segment liabilities and equity	915,747	330,513	16,954	326,014	1,589,228

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.

16 FINANCIAL CONTRACTS NOT AT FAIR VALUE

The fair value of sovereign sukuk is BD 348,733 thousands (2017: BD 361,172 thousands) compared to carrying value of BD 354,649 thousands (2017: BD 357,778 thousands) and the fair value of corporate sukuk is BD 8,859 thousands (2017: BD 10,339 thousands) compared to carrying value of BD 8,807 thousands (2017: BD 10,324 thousands). The estimated fair values of other financial assets are not expected to be materially different from their carrying values as of 30 June 2018 and 31 December 2017.

17 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 did not affect previously reported net profit for the period or total equity of the Group.