

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

30 JUNE 2019

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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 2019

Introduction

We have reviewed the accompanying 30 June 2019 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 2019;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2019;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2019;
- 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 2019 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.

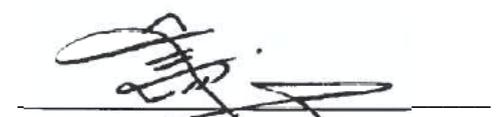
Al Salam Bank-Bahrain B.S.C.

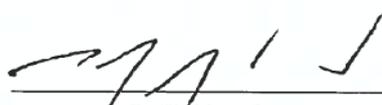
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June	31 December
		2019	2018
		(Reviewed)	(Audited)
	<i>Note</i>	BD '000	BD '000
ASSETS			
Cash and balances with banks and Central Bank		134,232	82,257
Sovereign Sukuk and placements	3	342,481	377,216
Placements with financial institutions	4	140,342	140,304
Corporate Sukuk		9,517	9,222
Financing assets	5	636,084	568,905
Finance lease assets	6	295,928	256,892
Non-trading investments	8	108,528	107,508
Investment properties		76,147	74,261
Development properties		2,943	6,290
Investment in associates		17,038	15,972
Other assets	9	47,135	45,512
Goodwill		25,971	25,971
TOTAL ASSETS		1,836,346	1,710,310
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Placements from financial institutions	4	143,847	144,125
Placements from customers	10	777,789	705,924
Customer current accounts		325,383	251,842
Murabaha term financing		145,373	155,543
Other liabilities	11	42,317	48,293
TOTAL LIABILITIES		1,434,709	1,305,727
EQUITY OF INVESTMENT ACCOUNTHOLDERS	12	92,737	99,761
EQUITY			
Share capital		221,586	214,093
Treasury stock		(4,641)	(3,855)
Reserves and retained earnings		91,354	93,901
Total equity attributable to shareholders of the Bank		308,299	304,139
Non-controlling interest		601	683
TOTAL EQUITY		308,900	304,822
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND EQUITY		1,836,346	1,710,310


 Khaleefa Butti Omair Al Muhairi
 Chairman


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


 Rafik Nayad
 Group Chief Executive Officer

The attached notes 1 to 18 form part of the condensed consolidated interim financial information

Al Salam Bank-Bahrain B.S.C.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2019

	<i>Three months ended</i>	<i>Three months ended</i>	<i>Six months ended</i>	<i>Six months ended</i>
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
OPERATING INCOME				
Finance income	15,114	11,143	27,670	23,123
Income from Sukuk	4,478	4,146	8,732	8,263
Income from non-trading investments	602	356	1,250	(140)
Fees and commission	1,864	2,233	4,108	3,934
Share of (loss) / profit from associates	(17)	514	1,115	559
Other income	2,356	2,300	2,844	7,142
	24,397	20,692	45,719	42,881
Finance expense on placements from financial institutions	(896)	(760)	(1,853)	(1,406)
Finance expense on placements from customers	(7,240)	(4,418)	(13,675)	(8,530)
Finance expense on Murabaha term financing	(1,374)	(802)	(2,876)	(1,394)
Return on equity of investment accountholders before Group's share as a Mudarib	(355)	(108)	(648)	(190)
Group's share as a Mudarib	256	74	505	113
Share of profit of investment accountholders	(99)	(34)	(143)	(77)
Total operating income	14,788	14,678	27,172	31,474
OPERATING EXPENSES				
Staff cost	3,438	3,144	6,989	5,963
Premises and equipment cost	377	516	1,126	976
Depreciation	376	231	673	439
Other operating expenses	2,696	2,519	4,852	4,829
Total operating expenses	6,887	6,410	13,640	12,207
PROFIT BEFORE IMPAIRMENT ALLOWANCES	7,901	8,268	13,532	19,267
Net allowance for credit losses / impairment	(1,154)	(4,178)	(1,310)	(9,847)
NET PROFIT FOR THE PERIOD	6,747	4,090	12,222	9,420
ATTRIBUTABLE TO:				
- Shareholders of the Bank	6,798	4,107	12,309	9,473
- Non-controlling interest	(51)	(17)	(87)	(53)
	6,747	4,090	12,222	9,420
Basic and diluted earnings per share (fils)	3	2	6	4



Khaleefa Butti Omair Al Muhairi
Chairman



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



Rafik Nayad
Group Chief Executive Officer

The attached notes 1 to 18 form part of the 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 2019 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank											
	Reserves and retained earnings											
	Share capital	Treasury stock	Share premium	Statutory reserve	Retained earnings	Investment fair value reserve	Real estate fair value reserve	Foreign exchange translation reserve	Total reserves	Total Equity	Non-controlling interest	Group Total Equity
Balance as of 1 January 2019	214,093	(3,855)	12,209	18,998	42,101	199	23,589	(3,195)	93,901	304,139	683	304,822
Net profit for the period	-	-	-	-	12,309	-	-	-	12,309	12,309	(87)	12,222
Foreign currency re-translation	-	-	-	-	-	-	-	(10)	(10)	(10)	-	(10)
Total recognised income and expense	-	-	-	-	12,309	-	-	(10)	12,299	12,299	(87)	12,212
Bonus shares issued	7,493	-	-	-	(7,493)	-	-	-	(7,493)	-	-	-
Cash dividend for the year 2018	-	-	-	-	(7,353)	-	-	-	(7,353)	(7,353)	-	(7,353)
Purchase of treasury stock	-	(786)	-	-	-	-	-	-	-	(786)	-	(786)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	5	5
Balance at 30 June 2019	221,586	(4,641)	12,209	18,998	39,564	199	23,589	(3,205)	91,354	308,299	601	308,900
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)
Total recognised income and expense	-	-	-	-	9,473	-	-	(70)	9,403	9,403	(53)	9,350
Cash dividend for the year 2017	-	-	-	-	(14,852)	-	-	-	(14,852)	(14,852)	-	(14,852)
Purchase of treasury stock	-	(225)	-	-	-	-	-	-	-	(225)	-	(225)
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

The attached notes 1 to 18 form part of the 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 2019

	<i>30 June</i> <i>2019</i> <i>(Reviewed)</i> <i>BD '000</i>	<i>30 June</i> <i>2018</i> <i>(Reviewed)</i> <i>BD '000</i>
OPERATING ACTIVITIES		
Net profit for the period	12,222	9,420
Adjustments:		
Depreciation	673	439
Amortisation of premium on Sukuk - net	135	606
Fair value changes on investments	-	548
Income from investments	(1,250)	(225)
Net allowance for credit losses / impairment	1,310	9,847
Share of profit from associates	(1,115)	(559)
Operating income before changes in operating assets and liabilities	<u>11,975</u>	<u>20,076</u>
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	(7,531)	3,748
Financing assets and finance lease assets	(106,327)	(34,263)
Other assets	(2,735)	786
Placements from financial institutions	(278)	(1,312)
Placements from customers	71,865	20,123
Customer current accounts	73,541	(6,020)
Other liabilities	(2,156)	(8,277)
Equity of investment accountholders	(7,024)	(17,329)
Net cash from / (used in) operating activities	<u>31,330</u>	<u>(22,468)</u>
INVESTING ACTIVITIES		
Sovereign Sukuk	11,569	2,538
Corporate Sukuk	(275)	1,547
Non-trading investments	151	568
Purchase of premises and equipment	(790)	(385)
Net cash from investing activities	<u>10,655</u>	<u>4,268</u>
FINANCING ACTIVITIES		
Murabaha term financing	(10,170)	41,073
Dividends paid	(7,616)	(11,355)
Purchase of treasury stock	(786)	(225)
Net cash (used in) / from financing activities	<u>(18,572)</u>	<u>29,493</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	23,413	11,293
Cash and cash equivalents at 1 January	<u>216,561</u>	<u>175,022</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>239,974</u>	<u>186,315</u>
Cash and cash equivalents comprise of:*		
Cash and other balances with Central Bank	52,971	8,628
Sovereign sukuk and placements	-	55,009
Balances with other banks	44,740	23,105
Deposits with original maturities of less than 90 days	1,879	-
Placements with financial institutions with original maturities of less than 90 days	140,384	99,573
	<u>239,974</u>	<u>186,315</u>

* Cash and cash equivalents as at 30 June 2019 is gross of the expected credit loss of BD 55 thousand (2018: BD 1 thousand) and does not include BD 330 thousands which is not available for day to day operations of the Bank.

The attached notes 1 to 18 form part of the condensed consolidated interim financial information

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.

The principal subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	% holding	
			2019	2018
ASB Seychelles	Seychelles	Provide Banking services	70%	70%
ASB Biodiesel	Hong Kong	Production of Biodiesel	36%	-

The Bank and its principal banking subsidiary operates through ten branches in the Kingdom of Bahrain and one branch in 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.

These consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 07 August 2019.

2 ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with the guidance given by International Accounting Standard 34 - "Interim Financial Reporting". The 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 audited consolidated financial statements for the year ended 31 December 2018, 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").

The condensed consolidated interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with AAOIFI. In addition, results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

2.1 New standards, interpretations and amendments

The condensed consolidated interim financial information has 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 2018. 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.

As at 30 June 2019

3 SOVEREIGN SUKUK AND PLACEMENTS

These represent sovereign sukuk investments and placements with CBB

	<u>30 June 2019</u>	<u>31 December 2018</u>
	<u>BD '000</u>	<u>BD '000</u>
Sovereign Sukuk	342,481	354,215
Placements with Central Bank	-	23,001
	<u>342,481</u>	<u>377,216</u>

The sovereign sukuk includes BD 151,705 thousands (2018: BD 174,353 thousands) of sukuk which are pledged against Murabaha term financing of BD 128,408 thousands (2018: BD 138,578 thousands).

4 PLACEMENTS WITH / FROM FINANCIAL INSTITUTIONS

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

	<u>30 June 2019</u>	<u>31 December 2018</u>
	<u>BD '000</u>	<u>BD '000</u>
Placements with financial institutions		
Wakala asset	79,897	57,734
Commodity Murabaha asset	60,488	82,571
Allowance for credit losses	(43)	(1)
	<u>140,342</u>	<u>140,304</u>
Placements from financial institutions		
Wakala liability	107,550	106,441
International Commodity Murabaha	36,297	37,684
	<u>143,847</u>	<u>144,125</u>

5 FINANCING ASSETS

30 June 2019

	<u>Stage 1: 12- month ECL</u>	<u>Stage 2: Lifetime ECL not credit- impaired</u>	<u>Stage 3: Lifetime ECL credit- impaired</u>	<u>Total</u>
	<u>BD '000</u>	<u>BD '000</u>	<u>BD '000</u>	<u>BD '000</u>
Murabaha financing	135,737	10,621	6,464	152,822
Mudaraba financing	407,412	32,657	33,611	473,680
Musharaka financing	25,102	-	495	25,597
Credit cards	3,169	75	199	3,443
Total financing assets	<u>571,420</u>	<u>43,353</u>	<u>40,769</u>	<u>655,542</u>
Allowance for credit losses (note 7)	(4,695)	(4,284)	(10,479)	(19,458)
	<u>566,725</u>	<u>39,069</u>	<u>30,290</u>	<u>636,084</u>

31 December 2018

	<u>Stage 1: 12- month ECL</u>	<u>Stage 2: Lifetime ECL not credit- impaired</u>	<u>Stage 3: Lifetime ECL credit- impaired</u>	<u>Total</u>
	<u>BD '000</u>	<u>BD '000</u>	<u>BD '000</u>	<u>BD '000</u>
Murabaha financing	149,331	15,994	15,938	181,263
Mudaraba financing	314,640	36,287	34,986	385,913
Musharaka financing	24,267	92	469	24,828
Credit cards	3,284	116	67	3,467
Total financing assets	<u>491,522</u>	<u>52,489</u>	<u>51,460</u>	<u>595,471</u>
Allowance for credit losses (note 7)	(3,451)	(4,093)	(19,022)	(26,566)
	<u>488,071</u>	<u>48,396</u>	<u>32,438</u>	<u>568,905</u>

As at 30 June 2019

6 FINANCE LEASE ASSETS

30 June 2019

	<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>
Finance lease assets	272,371	12,208	16,125	300,704
Allowance for credit losses	(442)	(164)	(4,170)	(4,776)
	<u>271,929</u>	<u>12,044</u>	<u>11,955</u>	<u>295,928</u>

31 December 2018

	<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>
Finance lease assets	224,389	23,694	15,290	263,373
Allowance for credit losses	(1,517)	(1,210)	(3,754)	(6,481)
	<u>222,872</u>	<u>22,484</u>	<u>11,536</u>	<u>256,892</u>

7 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

The balance of allowance for credit losses in the below table includes all financial assets, finance lease assets and off-balance sheet exposures.

30 June 2019

	<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>
Balance at the beginning of the period	5,571	5,385	28,453	39,409
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1: 12 month ECL	1,591	(1,256)	(335)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(228)	315	(87)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(5)	(387)	392	-
Net remeasurement of loss allowance	430	1,140	2,903	4,473
Recoveries / write-backs	(1,771)	(726)	(745)	(3,242)
Allowance for credit losses	17	(914)	2,128	1,231
Exchange adjustments and other movements	(2)	-	(59)	(61)
Amounts charged off during the period	-	-	(10,572)	(10,572)
Elimination on consolidation	-	-	107	107
Balance at the end of the period	<u>5,586</u>	<u>4,471</u>	<u>20,057</u>	<u>30,114</u>

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

<i>30 June 2019</i>				
	<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>
Cash and balances with banks and Central Bank	13	-	-	13
Sovereign Sukuk	40	-	-	40
Placements with financial institutions	43	-	-	43
Corporate Sukuk	6	-	-	6
Financing assets	4,695	4,284	10,479	19,458
Finance lease assets	442	164	4,170	4,776
Loans and advances to customers				
- Assets under conversion	41	1	2,544	2,586
Other receivables	43	-	2,183	2,226
Financing commitments and financial guarantee contracts	263	22	681	966
	5,586	4,471	20,057	30,114

<i>30 June 2018</i>				
	<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>
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 charged off during the period	-	-	(4,702)	(4,702)
Balance at the end of the period	10,716	2,994	72,506	86,216

<i>30 June 2018</i>				
	<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>
Placements with financial institutions	2	-	-	2
Corporate Sukuk	1	-	-	1
Financing assets	8,986	1,738	61,744	72,468
Finance lease assets	1,291	1,176	3,370	5,837
Loans and advances to customers				
- Assets under conversion	21	26	4,333	4,380
Other receivables	64	-	2,571	2,635
Financing commitments and financial guarantee contracts	351	54	488	893
	10,716	2,994	72,506	86,216

7.1 Movements in impairment allowances for equity investments and others

	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Balance at the beginning of the period	3,130	3,251
Impairment during the period	79	-
Reversal on recoveries	-	(121)
Balance at the end of the period	3,209	3,130

As at 30 June 2019

8 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 2019	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Financial assets at fair value through profit or loss	3,578	6,109	97,236	106,923
Financial assets at fair value through equity	-	-	1,605	1,605
	3,578	6,109	98,841	108,528

31 December 2018	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Financial assets at fair value through profit or loss	3,576	5,282	96,992	105,850
Financial assets at fair value through equity	-	-	1,658	1,658
	3,576	5,282	98,650	107,508

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

The Group has a 40% stake (2018: 40%) in Manara Developments Company B.S.C.(c), a company incorporated in Bahrain and engaged in the business of property development. The investment is being fair valued through profit or loss using the fair value scope exemption of FAS 24.

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

	<i>Fair value measurement using significant unobservable inputs Level 3</i>	
	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>BD '000</i>	<i>BD '000</i>
At 1 January	98,650	99,861
Fair value changes	244	(1,641)
Disposals during the period	-	(48)
Repayments during the period	(53)	(274)
Additions during the period	-	752
At end of the period	98,841	98,650

As at 30 June 2019

9 OTHER ASSETS

	<u>30 June</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
	<u>BD '000</u>	<u>BD '000</u>
Assets under conversion (a)		
Loans and advances to customers	9,111	11,680
Non-trading investments - fair value through equity (b)	965	1,041
Non-trading investments - debt	2,664	1,229
	<u>12,740</u>	13,950
Other receivables and advances	10,291	10,136
Prepayments	1,176	1,314
Premises and equipment (c)	22,928	20,112
	<u>47,135</u>	<u>45,512</u>

(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 suspended to charity suspense account and are paid as charity upon cash receipts, hence income is not recognised in the condensed consolidated income statement. During the period ended 30 June 2019, Shari'a prohibited income amounting to BD 141 thousands have been recorded under charity suspense account, under "Accounts payable and accruals" of note 11.

(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 Level 3</i>	
	<u>30 June</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
	<u>BD '000</u>	<u>BD '000</u>
At 1 January	1,041	1,359
Recovery	-	119
Disposals during the period	-	(144)
Fair value changes	-	(293)
Additions during the period	3	-
Write down during the period	(79)	-
At end of period	<u>965</u>	<u>1,041</u>

(c) This includes BD 20,786 thousands (2018: BD 18,317 thousands) of subsidiary property, plant & equipment.

Loans and advances to customer - Assets under conversion

	<i>30 June 2019</i>			
	<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	1,863	361	9,368	11,592
Allowance for credit losses	(41)	(1)	(2,544)	(2,586)
	<u>1,822</u>	<u>360</u>	<u>6,824</u>	<u>9,006</u>
	<i>31 December 2018</i>			
	<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	2,237	932	11,625	14,794
Allowance for credit losses	(27)	(26)	(3,182)	(3,235)
	<u>2,210</u>	<u>906</u>	<u>8,443</u>	<u>11,559</u>

10 PLACEMENTS FROM CUSTOMERS

Placements from customers represent customer's funds in the form of wakala contracts (wakala capital and generated profit) payable at respective maturity dates. These wakala contracts have stated maturities while "Equity of Investment Accountholders" are in the form of Mudaraba contracts that have no specified maturity dates.

11 OTHER LIABILITIES

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Accounts payable and accruals	28,667	30,401
Dividend payable	5,742	6,005
Investment related payables	-	3,513
Project payables	60	60
Liabilities under conversion	5,488	6,020
End of service benefits and other employee related accruals	1,395	1,161
Allowance for credit losses relating to financing commitments and financial guarantee contracts	965	1,133
	42,317	48,293

12 EQUITY OF INVESTMENT ACCOUNTHOLDERS

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Saving accounts	73,222	62,770
Margin accounts	6,331	21,948
Call accounts	13,184	15,043
	92,737	99,761

13 OTHER INCOME

Other income primarily comprise recoveries of BD 2,118 thousands (2018: BD 6,546 thousands) of financing assets which were previously written off or fully provided and legal recoveries.

14 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, 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 approved by the Board of Directors.

The balances with related parties at 30 June 2019 and 31 December 2018 were as follows:

	<i>30 June 2019</i>					
	<i>Associates and joint</i>		<i>Directors and related</i>		<i>Senior management</i>	<i>Total</i>
	<i>ventures</i>	<i>shareholders</i>	<i>entities</i>	<i>management</i>		
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	
Assets:						
Cash and balances with banks and Central Bank	-	66	-	-	66	
Corporate Sukuk	-	-	3,406	-	3,406	
Financing assets	9,996	6	15,612	1,187	26,801	
Non trading investments	90,681	-	2,344	-	93,025	
Investment in associates	17,038	-	-	-	17,038	
Other assets	2,938	-	-	-	2,938	
Liabilities and equity of investment accountholders:						
Placements from financial institutions	-	5,094	-	-	5,094	
Placements from customers	646	46,477	11,442	1,616	60,181	
Customer current accounts	1,725	1,428	2,280	180	5,613	
Equity of investment accountholders	-	149	193	1,117	1,459	
Other liabilities	-	-	-	7	7	
Contingent liabilities and commitments	-	529	101	-	630	

As at 30 June 2019

14 RELATED PARTY TRANSACTIONS (continued)

	<i>31 December 2018</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>
Assets:					
Cash and balances with banks and Central Bank	-	9,471	-	-	9,471
Corporate Sukuk	-	-	3,393	-	3,393
Financing assets	10,168	9	16,319	1,009	27,505
Non trading investments	89,277	-	2,297	-	91,574
Investment in associates	15,972	-	-	-	15,972
Other assets	3,204	-	-	-	3,204
Liabilities and equity of investment accountholders:					
Placements from financial institutions	-	5,658	-	-	5,658
Placements from customers	858	37,448	12,382	2,465	53,153
Customer current accounts	624	3,135	1,417	318	5,494
Equity of investment accountholders	-	-	24	199	223
Other liabilities	-	-	-	4	4
Contingent liabilities and commitments	-	501	100	-	601

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

	<i>30 June 2019</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>
Income:					
Income from financing assets	313	21	547	9	890
Income from investments	1,376	-	(155)	-	1,221
Share of profits from associates	1,115	-	-	-	1,115
Expenses:					
Profit on placements from financial institutions	-	64	-	-	64
Profit on placements from customers	12	857	247	37	1,153
Share of profits on equity of investment accountholders	-	2	-	-	2
Other operating expenses	-	-	534	-	534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019

14 RELATED PARTY TRANSACTIONS (continued)

	<i>30 June 2018</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>
Income:					
Income from financing assets	182	14	256	9	461
Income from investments	491	-	-	-	491
Share of profits from associates	559	-	-	-	559
Expenses:					
Profit on placements from financial institutions	-	36	-	-	36
Profit on placements from customers	16	382	2	25	425
Other operating expenses	-	-	409	-	409
Allowance for credit losses	1,910	-	-	-	1,910

15 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Contingent liabilities on behalf of customers		
Guarantees	22,561	21,523
Letters of credit	5,668	13,781
Acceptances	1,472	2,195
	29,701	37,499
Irrevocable unutilised commitments		
Unutilised financing commitments	58,507	52,122
Unutilised non-funded commitments	10,150	9,262
	68,657	61,384
Forward foreign exchange contracts - notional amount	2,195	22,730

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>30 June 2019</i>	<i>31 December 2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Within 1 year	1,192	1,275
After one year but not more than five years	1,073	1,740
	2,265	3,015

16 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, 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.

Transactions between segments are conducted at estimated allocated internal rates. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information is disclosed as follows:

	<i>30 June 2019</i>				
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Unallocated</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	16,982	7,725	2,465	-	27,172
Segment result	6,310	5,694	218	-	12,222
Segment assets	977,635	646,085	210,840	1,786	1,836,346
Segment liabilities, and equity	1,123,950	395,774	1,575	315,047	1,836,346

Goodwill resulting from BMI acquisition is allocated to banking segment.

	<i>30 June 2018</i>				
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Unallocated</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	1,202	1,398	31,474
Segment result	3,387	7,905	(2,608)	736	9,420

Segment information for the period ended 31 December 2018 (Audited) was as follows:

Segment assets	841,772	654,908	212,148	1,482	1,710,310
Segment liabilities, and equity	968,448	419,406	11,827	310,629	1,710,310

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.

17 FAIR VALUE OF FINANCIAL ASSETS

The fair value of Sovereign and Corporate Sukuk is summarised below:

	<i>30 June</i>		<i>31 December</i>	
	<i>2019</i>		<i>2018</i>	
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
	Carrying Value	Fair Value	Carrying Value	Fair Value
Sovereign Sukuk	342,481	351,926	354,215	349,087
Corporate Sukuk	9,517	9,873	9,222	9,390

The estimated fair values of other financial assets are not expected to be materially different from their carrying values as of 30 June 2019 and 31 December 2018.

18 COMPARATIVE FIGURES

Certain of the prior year figures have been regrouped to conform to the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.