

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

5 November 2019

### Introduction

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

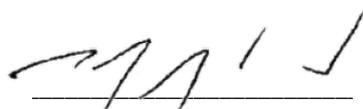
		<b>30 September 2019 (Reviewed)</b>	<b>31 December 2018 (Audited)</b>
	<i>Note</i>	<b>BD '000</b>	<b>BD '000</b>
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		174,579	82,257
Sovereign Sukuk and placements with Central Bank	3	339,115	377,216
Placements with financial institutions	4	119,178	140,304
Corporate Sukuk		19,418	9,222
Financing assets	5	656,641	568,905
Finance lease assets	6	316,553	256,892
Non-trading investments	8	106,841	107,508
Investment properties		75,584	74,261
Development properties		2,943	6,290
Investment in associates		16,854	15,972
Other assets	9	43,357	45,581
Goodwill		25,971	25,971
<b>TOTAL ASSETS</b>		<b>1,897,034</b>	<b>1,710,379</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>LIABILITIES</b>			
Placements from financial institutions	4	170,432	144,125
Placements from customers	10	820,647	705,993
Customer current accounts		298,202	251,842
Murabaha term financing		157,705	155,543
Other liabilities	11	42,390	48,293
<b>TOTAL LIABILITIES</b>		<b>1,489,376</b>	<b>1,305,796</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>	12	<b>94,241</b>	<b>99,761</b>
<b>OWNERS' EQUITY</b>			
Share capital		221,586	214,093
Treasury stock		(4,931)	(3,855)
Reserves and retained earnings		96,171	93,901
<b>Total owners equity</b>		<b>312,826</b>	<b>304,139</b>
Non-controlling interest		591	683
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST</b>		<b>1,897,034</b>	<b>1,710,379</b>



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 18 form part of the condensed consolidated interim financial information

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

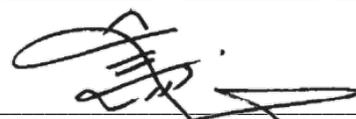
## CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine month period ended 30 September 2019

	<i>Three months ended</i>	<i>Three months ended</i>	<i>Nine months ended</i>	<i>Nine months ended</i>
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 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>
<b>OPERATING INCOME</b>				
Finance income	15,288	11,103	42,958	34,226
Income from Sukuk	4,063	4,185	12,795	12,448
Income from non-trading investments	579	(709)	1,829	(849)
Income from properties	(42)	35	(42)	35
Fees and commission	1,845	2,069	5,953	6,003
Share of profit / (loss) from associates	94	(134)	1,209	425
Other income	635	447	3,479	7,589
	<b>22,462</b>	<b>16,996</b>	<b>68,181</b>	<b>59,877</b>
Finance expense on placements from financial institutions	(885)	(1,021)	(2,738)	(2,427)
Finance expense on placements from customers	(7,367)	(4,867)	(21,042)	(13,397)
Finance expense on Murabaha term financing	(1,392)	(914)	(4,268)	(2,308)
Return on equity of investment accountholders before Group's share as a Mudarib	(334)	(205)	(982)	(395)
Group's share as a Mudarib	240	174	745	287
Share of profit of investment accountholders	(94)	(31)	(237)	(108)
<b>Total operating income</b>	<b>12,724</b>	<b>10,163</b>	<b>39,896</b>	<b>41,637</b>
<b>OPERATING EXPENSES</b>				
Staff cost	3,640	1,699	10,629	7,662
Premises and equipment cost	575	546	1,701	1,522
Depreciation	308	230	981	669
Other operating expenses	2,648	2,279	7,500	7,108
<b>Total operating expenses</b>	<b>7,171</b>	<b>4,754</b>	<b>20,811</b>	<b>16,961</b>
<b>PROFIT BEFORE IMPAIRMENT ALLOWANCES</b>	<b>5,553</b>	<b>5,409</b>	<b>19,085</b>	<b>24,676</b>
Net impairment charge	(644)	(1,321)	(1,954)	(11,168)
<b>PROFIT FOR THE PERIOD</b>	<b>4,909</b>	<b>4,088</b>	<b>17,131</b>	<b>13,508</b>
<b>ATTRIBUTABLE TO:</b>				
- Shareholders of the Bank	4,914	4,119	17,223	13,592
- Non-controlling interest	(5)	(31)	(92)	(84)
	<b>4,909</b>	<b>4,088</b>	<b>17,131</b>	<b>13,508</b>
<b>Basic and diluted earnings per share (fils)</b>	<b>2</b>	<b>2</b>	<b>8</b>	<b>6</b>



Khaleefa Butti Oman Al Muhairi  
Chairman



H.E. Shaikh Khand bin Mustahaj 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 nine month period ended 30 September 2019 (reviewed)

Amounts in BD '000s

	<i>Attributable to shareholders of the Bank</i>											
	<i>Reserves and retained earnings</i>								<i>Total reserves</i>	<i>Total Equity</i>	<i>Non-controlling interest</i>	<i>Group Total Equity</i>
	<i>Share capital</i>	<i>Treasury stock</i>	<i>Share premium</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 reserve</i>				
<b>Balance as of 1 January 2019</b>	<b>214,093</b>	<b>(3,855)</b>	<b>12,209</b>	<b>18,998</b>	<b>42,101</b>	<b>199</b>	<b>23,589</b>	<b>(3,195)</b>	<b>93,901</b>	<b>304,139</b>	<b>683</b>	<b>304,822</b>
Net profit for the period	-	-	-	-	17,223	-	-	-	17,223	17,223	(92)	17,131
Foreign currency re-translation	-	-	-	-	-	-	-	(107)	(107)	(107)	-	(107)
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,223</b>	<b>-</b>	<b>-</b>	<b>(107)</b>	<b>17,116</b>	<b>17,116</b>	<b>(92)</b>	<b>17,024</b>
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	-	(1,076)	-	-	-	-	-	-	-	(1,076)	-	(1,076)
<b>Balance at 30 September 2019</b>	<b>221,586</b>	<b>(4,931)</b>	<b>12,209</b>	<b>18,998</b>	<b>44,478</b>	<b>199</b>	<b>23,589</b>	<b>(3,302)</b>	<b>96,171</b>	<b>312,826</b>	<b>591</b>	<b>313,417</b>
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	-	-	-	-	13,592	-	-	-	13,592	13,592	(84)	13,508
Foreign currency re-translation	-	-	-	-	-	-	-	(108)	(108)	(108)	-	(108)
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,592</b>	<b>-</b>	<b>-</b>	<b>(108)</b>	<b>13,484</b>	<b>13,484</b>	<b>(84)</b>	<b>13,400</b>
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 September 2018	214,093	(2,104)	12,209	17,148	39,044	199	24,075	(3,027)	89,648	301,637	517	302,154

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 nine month period ended 30 September 2019

	<i>30 September 2019 (Reviewed) BD '000</i>	<i>30 September 2018 (Reviewed) BD '000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	17,131	13,508
Adjustments:		
Depreciation	981	669
Amortisation of premium on Sukuk - net	205	889
Fair value changes on investments	(1,094)	1,642
Income from investments	(693)	(579)
Net impairment charge	1,954	11,168
Share of profit from associates	(1,209)	(425)
Operating income before changes in operating assets and liabilities	17,275	26,872
<b>Changes in operating assets and liabilities:</b>		
Mandatory reserve with Central Bank	(5,433)	5,187
Financing assets and finance lease assets	(148,099)	(44,852)
Other assets	2,142	(427)
Placements from financial institutions	26,307	395
Placements from customers	114,654	41,168
Customer current accounts	46,360	(24,504)
Other liabilities	(1,320)	(7,588)
Equity of investment accountholders	(5,520)	(19,097)
Net cash from / (used in) operating activities	46,366	(22,846)
<b>INVESTING ACTIVITIES</b>		
Sovereign Sukuk	14,856	(5,294)
Corporate Sukuk	(10,177)	1,454
Non-trading investments	2,375	625
Development properties	-	158
Investment in associates	-	741
Purchase of premises and equipment	(1,446)	(567)
Net cash from / (used in) investing activities	5,608	(2,883)
<b>FINANCING ACTIVITIES</b>		
Murabaha term financing	2,162	48,373
Dividends paid	(7,732)	(13,758)
Purchase of treasury stock	(1,076)	(225)
Net cash (used in) / from financing activities	(6,646)	34,390
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>45,328</b>	<b>8,661</b>
Cash and cash equivalents at 1 January	216,561	175,022
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>261,889</b>	<b>183,683</b>
<b>Cash and cash equivalents comprise of:*</b>		
Cash and other balances with Central Bank	64,000	9,714
Sovereign sukuk and placements	-	34,502
Balances with other banks	76,160	35,356
Deposits with original maturities of less than 90 days	2,526	-
Placements with financial institutions with original maturities of less than 90 days	119,203	104,111
	<b>261,889</b>	<b>183,683</b>

\* Cash and cash equivalents as at 30 September 2019 is gross of the expected credit loss of BD 42 thousands (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 5 November 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 nine months ended 30 September 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 September 2019

**3 SOVEREIGN SUKUK AND PLACEMENTS**

These represent sovereign sukuk investments and placements with CBB

	<u>30 September</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
	<u>BD '000</u>	<u>BD '000</u>
Sovereign Sukuk	339,115	354,215
Placements with Central Bank	-	23,001
	<u>339,115</u>	<u>377,216</u>

The sovereign sukuk includes BD 177,518 thousands (2018: BD 174,353 thousands) of sukuk which are pledged against Murabaha term financing of BD 140,740 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 September</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
	<u>BD '000</u>	<u>BD '000</u>
<b>Placements with financial institutions</b>		
Wakala asset	54,789	57,734
Commodity Murabaha asset	64,433	82,571
Allowance for credit losses	(44)	(1)
	<u>119,178</u>	<u>140,304</u>
<b>Placements from financial institutions</b>		
Wakala liability	131,143	106,441
International Commodity Murabaha	39,289	37,684
	<u>170,432</u>	<u>144,125</u>

**5 FINANCING ASSETS**

	<u>30 September 2019</u>			
	<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	132,553	9,993	7,067	149,613
Mudaraba financing	426,113	37,553	32,145	495,811
Musharaka financing	27,961	65	423	28,449
Credit cards	3,341	78	215	3,634
<b>Total financing assets</b>	<u>589,968</u>	<u>47,689</u>	<u>39,850</u>	<u>677,507</u>
Allowance for credit losses (note 7)	(5,591)	(5,497)	(9,778)	(20,866)
	<u>584,377</u>	<u>42,192</u>	<u>30,072</u>	<u>656,641</u>
	<u>31 December 2018</u>			
	<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
<b>Total financing assets</b>	<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>

BD 8,184 thousands (31 December 2018 : BD 14,240 thousands) of exposure in stage 2 are under the cooling off period, out of which BD 6,429 thousands (31 December 2018: BD 10,135 thousands) are collateralized.

**6 FINANCE LEASE ASSETS**

<i>30 September 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>
Finance lease assets	272,695	30,820	17,768	321,283
Allowance for credit losses	(527)	(201)	(4,002)	(4,730)
	<u>272,168</u>	<u>30,619</u>	<u>13,766</u>	<u>316,553</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>
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>

BD 18,213 thousands (31 December 2018: BD 6,670 thousands) of exposure in stage 2 are under the cooling off period and all the facilities are collateralized.

**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.

<i>30 September 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>
<b>Balance at the beginning of the period</b>	5,593	5,386	28,427	39,406
<b>Changes due to receivables recognised in opening balance that have:</b>				
- transferred to Stage 1: 12 month ECL	2,138	(1,415)	(723)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(481)	1,873	(1,392)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(21)	(571)	592	-
Impairment charge for the period	(52)	601	2,983	3,532
Recoveries / write-backs	(602)	(140)	(915)	(1,657)
<b>Net allowance for credit losses for the period</b>	982	348	545	1,875
Exchange adjustments and other movements	(2)	-	(39)	(41)
Amounts charged off during the period	-	-	(9,757)	(9,757)
Elimination on consolidation	-	-	107	107
<b>Balance at the end of the period</b>	<u>6,573</u>	<u>5,734</u>	<u>19,283</u>	<u>31,590</u>

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

30 September 2019				
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	BD '000	BD '000	BD '000	BD '000
Cash and balances with banks and Central Bank	17	-	-	17
Sovereign Sukuk	28	-	-	28
Placements with financial institutions	44	-	-	44
Corporate Sukuk	7	3	-	10
Financing assets	5,591	5,497	9,778	20,866
Finance lease assets	526	202	4,002	4,730
Loans and advances to customers				
- Assets under conversion	52	-	3,119	3,171
Other receivables	44	-	2,186	2,230
Financing commitments and financial guarantee contracts	264	32	198	494
	<b>6,573</b>	<b>5,734</b>	<b>19,283</b>	<b>31,590</b>

30 September 2018				
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	BD '000	BD '000	BD '000	BD '000
Balance at the beginning of the period	7,984	16,052	57,074	81,110
Changes due to receivables recognised in opening balance that have:				
- transferred to Stage 1: 12 month ECL	1,854	(455)	(1,399)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(50)	2,090	(2,040)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(283)	(14,921)	15,204	-
Net remeasurement of loss allowance	(2,556)	2,095	16,608	16,147
Recoveries / write-backs	(311)	(200)	(4,347)	(4,858)
Allowance for credit losses	(1,346)	(11,391)	24,026	11,289
Exchange adjustments and other movements	-	-	(123)	(123)
Amounts charged off during the period	-	-	(7,287)	(7,287)
Elimination on consolidation	-	-	(42,444)	(42,444)
Balance at the end of the period	<b>6,638</b>	<b>4,661</b>	<b>31,246</b>	<b>42,545</b>

30 September 2018				
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	BD '000	BD '000	BD '000	BD '000
Cash and balances with banks and Central Bank	1	-	-	1
Sovereign Sukuk	2	-	-	2
Placements with financial institutions	4	-	-	4
Corporate Sukuk	1	-	-	1
Financing assets	4,550	2,655	22,403	29,608
Finance lease assets	1,215	1,819	3,056	6,090
Loans and advances to customers				
- Assets under conversion	20	47	3,425	3,492
Other receivables	61	-	1,947	2,008
Financing commitments and financial guarantee contracts	784	140	415	1,339
	<b>6,638</b>	<b>4,661</b>	<b>31,246</b>	<b>42,545</b>

## 7.1 Movements in impairment allowances for equity investments and others

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

As at 30 September 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:

<b>30 September 2019</b>	<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	6,377	95,308	105,263
Financial assets at fair value through equity	-	-	1,578	1,578
	<b>3,578</b>	<b>6,377</b>	<b>96,886</b>	<b>106,841</b>
<b>31 December 2018</b>				
	<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
	<b>3,576</b>	<b>5,282</b>	<b>98,650</b>	<b>107,508</b>

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 September 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	(1,684)	(1,641)
Disposals during the period	-	(48)
Repayments during the period	(80)	(274)
Additions during the period	-	752
<b>At end of the period</b>	<b>96,886</b>	<b>98,650</b>

**9 OTHER ASSETS**

	<i>30 September</i> <i>2019</i>	<i>31 December</i> <i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Assets under conversion (a)</b>		
Loans and advances to customers	<b>8,271</b>	11,680
Non-trading investments - fair value through equity (b)	<b>964</b>	1,041
Non-trading investments - debt	<b>21</b>	1,229
	<b>9,256</b>	13,950
Other receivables and advances	<b>10,925</b>	10,205
Prepayments	<b>1,203</b>	1,314
Premises and equipment (c)	<b>21,973</b>	20,112
	<b>43,357</b>	45,581

(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 September 2019, Shari'a prohibited income amounting to BD 284 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>	
	<i>30 September</i> <i>2019</i>	<i>31 December</i> <i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
At 1 January	<b>1,041</b>	1,359
Recovery	-	119
Disposals during the period	-	(144)
Fair value changes	-	(293)
Additions during the period	<b>2</b>	-
Write down during the period	<b>(79)</b>	-
At end of period	<b>964</b>	1,041

(c) This includes BD 19,551 thousands (2018: BD 18,317 thousands) of subsidiary property, plant & equipment.

**Loans and advances to customer - Assets under conversion**

	<i>30 September 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	<b>1,806</b>	<b>351</b>	<b>9,181</b>	<b>11,338</b>
Allowance for credit losses	<b>(52)</b>	<b>-</b>	<b>(3,119)</b>	<b>(3,171)</b>
	<b>1,754</b>	<b>351</b>	<b>6,062</b>	<b>8,167</b>
	<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)
	2,210	906	8,443	11,559

**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 September</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Accounts payable and accruals	<b>28,739</b>	30,401
Dividend payable	<b>5,627</b>	6,005
Investment related payables	-	3,513
Project payables	<b>60</b>	60
Liabilities under conversion	<b>6,034</b>	6,020
End of service benefits and other employee related accruals	<b>1,435</b>	1,161
Allowance for credit losses relating to financing commitments and financial guarantee contracts	<b>495</b>	1,133
	<b>42,390</b>	48,293

**12 EQUITY OF INVESTMENT ACCOUNTHOLDERS**

	<i>30 September</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Saving accounts	<b>72,673</b>	62,770
Margin accounts	<b>6,466</b>	21,948
Call accounts	<b>15,102</b>	15,043
	<b>94,241</b>	99,761

**13 OTHER INCOME**

Other income primarily comprise recoveries of BD 2,339 thousands (2018: BD 6,728 thousands) of financing assets which were previously written off or fully provided and legal recoveries.

As at 30 September 2019

**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 September 2019 and 31 December 2018 were as follows:

	<i>30 September 2019</i>				<i>Total</i>
	<i>Associates</i>		<i>Directors</i>		
	<i>and joint</i>	<i>Major</i>	<i>and related</i>	<i>Senior</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>
<b>Assets:</b>					
Cash and balances with banks and Central Bank	-	1,245	-	-	1,245
Corporate Sukuk	-	-	3,457	-	3,457
Financing assets	10,435	7	15,598	1,176	27,216
Non trading investments	89,223	-	2,266	-	91,489
Investment in associates	16,854	-	-	-	16,854
Other assets	2,938	-	-	-	2,938
<b>Liabilities and equity of investment accountholders:</b>					
Placements from financial institutions	-	5,661	-	-	5,661
Placements from customers	1,107	74,727	9,447	1,071	86,352
Customer current accounts	500	864	4,580	475	6,419
Equity of investment accountholders	-	14	163	200	377
Other liabilities	1,034	-	-	2	1,036
Contingent liabilities and commitments	-	540	101	-	641

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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>
<b>Assets:</b>					
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
<b>Liabilities and equity of investment accountholders:</b>					
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 September 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>
<b>Income:</b>					
Income from financing assets	<b>500</b>	<b>33</b>	<b>802</b>	<b>14</b>	<b>1,349</b>
Income from investments	<b>1,956</b>	-	<b>(234)</b>	-	<b>1,722</b>
Share of profits from associates	<b>1,209</b>	-	-	-	<b>1,209</b>
<b>Expenses:</b>					
Profit on placements from financial institutions	-	<b>77</b>	-	-	<b>77</b>
Profit on placements from customers	<b>16</b>	<b>1,459</b>	<b>363</b>	<b>49</b>	<b>1,887</b>
Share of profits on equity of investment accountholders	-	<b>2</b>	-	<b>1</b>	<b>3</b>
Other operating expenses	-	-	<b>779</b>	-	<b>779</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019

**14 RELATED PARTY TRANSACTIONS (continued)**

	<i>30 September 2018</i>					
	<i>Associates and joint ventures</i>		<i>Directors and related entities</i>		<i>Senior management</i>	<i>Total</i>
	<i>BD '000</i>	<i>Major shareholders 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	306	30	517	26	879	
Income from investments	1,079	-	(234)	-	845	
Share of profits from associates	425	-	-	-	425	
<b>Expenses:</b>						
Profit on placements from financial institutions	-	62	-	-	62	
Profit on placements from customers	29	748	166	48	991	
Share of profits on equity of investment accountholders	-	-	-	1	1	
Other operating expenses	-	-	638	-	638	

**15 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Contingent liabilities on behalf of customers</b>		
Guarantees	21,455	21,523
Letters of credit	8,072	13,781
Acceptances	1,386	2,195
	<b>30,913</b>	<b>37,499</b>
<b>Irrevocable unutilised commitments</b>		
Unutilised financing commitments	52,785	52,122
Unutilised non-funded commitments	9,758	9,262
	<b>62,543</b>	<b>61,384</b>
<b>Forward foreign exchange contracts - notional amount</b>	<b>9,802</b>	<b>22,730</b>

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 September 2019</i>	<i>31 December 2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Within 1 year	1,167	1,275
After one year but not more than five years	768	1,740
	<b>1,935</b>	<b>3,015</b>

As at 30 September 2019

**16 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, 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.

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 September 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	26,035	10,538	3,323	-	39,896
Segment result	9,335	7,423	373	-	17,131
Segment assets	1,048,055	668,439	157,974	22,566	1,897,034
Segment liabilities, and equity	1,083,359	493,032	1,596	319,047	1,897,034

Goodwill resulting from BMI acquisition is allocated to banking segment.

	<i>30 September 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	28,135	11,520	494	1,488	41,637
Segment result	6,174	11,334	(4,217)	217	13,508

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

Segment assets	841,841	654,908	212,148	1,482	1,710,379
Segment liabilities, and equity	968,517	419,406	11,827	310,629	1,710,379

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 September</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>
	<b>Carrying Value</b>	<b>Fair Value</b>	Carrying Value	Fair Value
Sovereign Sukuk	339,115	340,366	354,215	349,087
Corporate Sukuk	19,418	19,721	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 September 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.