

Bahrain Islamic Bank B.S.C.
CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION
30 September 2018



KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: www.kpmg.com/bh
CR No. 6220

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

The Board of Directors
Bahrain Islamic Bank B.S.C.
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial information of Bahrain Islamic Bank B.S.C. (the "Bank") and its subsidiary (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated statement of income for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of sources and uses of good faith qard fund for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 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 the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

5 November 2018

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018	31 December 2017
	<i>Note</i>	BD'000	BD'000
		<i>(reviewed)</i>	<i>(audited)</i>
ASSETS			
Cash and balances with banks and Central Bank		56,874	69,666
Placements with financial institutions		90,331	80,845
Financing assets	9	561,899	561,822
Investment securities	10	252,028	258,399
Ijarah Muntahia Bittamleek		168,445	164,397
Ijarah rental receivables		13,794	14,483
Investment in associates		22,137	23,739
Investment in real estate	11	25,896	29,831
Property and equipment		13,514	14,270
Other assets	12	12,180	11,195
TOTAL ASSETS		1,217,098	1,228,647
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		126,556	67,872
Placements from non-financial institutions and individuals		1,052	-
Borrowings from financial institutions		102,736	101,576
Customers' current accounts		131,064	131,666
Other liabilities	13	14,837	11,507
Total Liabilities		376,245	312,621
Equity of Investment Accountholders		726,368	793,756
Owners' Equity			
Share capital		106,405	101,339
Treasury shares		(892)	(864)
Shares under employee share incentive scheme		(391)	(498)
Share premium		120	98
Reserves		9,243	22,195
Total Owners' Equity		114,485	122,270
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		1,217,098	1,228,647


This condensed consolidated interim financial information, which consist of pages 2 to 21, was approved by the Board of Directors on 5 November 2018 and signed on its behalf by:


		
Dr. Esam Abdulla Fakhro	Brig. Ebrahim Abdulla Al Mahmood	Hassan Amin Jarrar
Chairman	Vice Chairman	Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2018

		Nine months ended 30 September		Three months ended 30 September	
	Note	2018 BD'000 (reviewed)	2017 BD'000 (reviewed)	2018 BD'000 (reviewed)	2017 BD'000 (reviewed)
INCOME					
Income from financing		31,857	29,793	11,049	10,525
Income from investment in Sukuk		8,040	4,620	2,693	1,818
Total income from jointly financed assets		39,897	34,413	13,742	12,343
Return on equity of investment accountholders		(28,909)	(25,651)	(10,611)	(8,146)
Group's share as Mudarib		18,849	18,783	7,365	5,303
Net return on equity of investment accountholders		(10,060)	(6,868)	(3,246)	(2,843)
Group's share of income from jointly financed assets (both as mudarib and investor)		29,837	27,545	10,496	9,500
Expense on placements from financial institutions		(1,350)	(1,823)	(347)	(811)
Expense on placements from non-financial institutions and individuals		(27)	-	(27)	-
Expense on borrowings from financial institutions		(3,158)	(920)	(1,346)	(447)
Fee and commission income		5,477	5,809	1,939	1,929
Income from investment securities		206	513	-	21
Income from investment in real estate		(358)	293	(15)	80
Share of results of associates, net		36	(1,183)	(14)	99
Other income		689	2,380	214	1,608
Total income		31,352	32,614	10,900	11,979
EXPENSES					
Staff costs		9,136	10,013	2,937	3,188
Depreciation		1,207	1,160	405	395
Other expenses		8,370	8,452	3,080	3,300
Total expenses		18,713	19,625	6,422	6,883
Profit before impairment allowances		12,639	12,989	4,478	5,096
Impairment allowance, net	14	(5,766)	(7,544)	(1,112)	(2,929)
PROFIT FOR THE PERIOD		6,873	5,445	3,366	2,167
BASIC AND DILUTED EARNINGS PER SHARE (fils)		6.54	5.18	3.20	2.06


 Dr. Esam Abdulla Fakhro
 Chairman


 Brig. Ebrahim Abdulla Al Mahmood
 Vice Chairman


 Hassan Amin Jarrar
 Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018

	<i>Nine months ended 30 September</i>	
	2018	2017
	BD'000	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	6,873	5,445
Adjustments for non-cash items:		
Depreciation	1,207	1,160
Impairment allowance, net	5,766	7,544
Loss on sale of investment in associates	-	83
Gain on sale of investment securities	-	(3)
Amortization of gain on sale of investment in real estate	(14)	(14)
Loss on sale of investment in real estate	519	-
Gain on foreign exchange revaluation	20	-
Share of results of associates, net	(36)	1,183
Operating profit before changes in operating assets and liabilities	14,335	15,398
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	525	(1,730)
Financing assets	(15,702)	(56,501)
Ijarah Muntahia Bittamleek	(4,297)	(14,882)
Other assets	(1,121)	(2,506)
Customers' current accounts	(602)	15
Other liabilities	2,497	(1,776)
Placements from financial institutions	56,681	47,857
Placements from non-financial institutions and individuals	1,052	-
Equity of investment accountholders	(67,388)	91,026
Net cash (used in) / from operating activities	(14,020)	76,901
INVESTING ACTIVITIES		
Expenditure of investment in real estate	-	(28)
Disposal of investment in real estate	3,344	-
Disposal of investment in associates	-	1,348
Purchase of property and equipment	(451)	(678)
Purchase of investment securities	(81,494)	(76,463)
Proceeds from disposal of investment securities	86,707	3,851
Net cash from / (used in) investing activities	8,106	(71,970)
FINANCING ACTIVITIES		
Purchase of treasury shares	-	(301)
Borrowings from financial institutions	1,160	38,077
Dividends paid	(31)	(4,822)
Net cash from financing activities	1,129	32,954
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(4,785)	37,885
Cash and cash equivalents at 1 January	112,794	90,736
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	108,009	128,621
Cash and cash equivalents comprise of:		
Cash on hand	10,910	15,166
Balances with CBB, excluding mandatory reserve deposits	498	1,096
Balances with banks and other financial institutions excluding restricted balances	6,270	8,067
Placements with financial institutions with original maturities less than 90 days	90,331	104,292
	108,009	128,621

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2018

	Reserves									
	Shares under employee share			Investment securities fair value reserve			Real estate fair value reserve			Total owners' equity BD'000
	Share capital BD'000	Treasury shares BD'000	Incentive scheme BD'000	Share premium BD'000	Statutory reserve BD'000	Real estate fair value reserve BD'000	Investment securities fair value reserve BD'000	(Accumulated losses) / retained earnings BD'000	Total reserves BD'000	
2018 - reviewed										
Balance at 1 January 2018 (as previously reported)	101,339	(864)	(498)	98	2,977	6,145	745	12,328	22,195	122,270
Impact of adopting FAS 30 (note 3a)	-	-	-	-	-	-	-	(13,943)	(13,943)	(13,943)
Impact of adopting FAS 30 by associate (note 3a)	-	-	-	-	-	-	-	(350)	(350)	(350)
Balance at 1 January 2018 (Restated)	101,339	(864)	(498)	98	2,977	6,145	745	(1,965)	7,902	107,977
Profit for the period	-	-	-	-	-	-	-	6,873	6,873	6,873
Bonus shares declared	5,066	(28)	(34)	(35)	-	-	-	(4,969)	(4,969)	-
Zakah approved	-	-	-	-	-	-	-	(265)	(265)	(265)
Donations approved	-	-	-	-	-	-	-	(200)	(200)	(200)
Shares allocated to staff during the period	-	-	141	57	-	-	-	-	-	198
Net movement in investment securities fair value reserve	-	-	-	-	-	-	(27)	-	(27)	(27)
Net movement in real estate fair value reserve	-	-	-	-	-	(71)	-	-	(71)	(71)
Balance at 30 September 2018	106,405	(892)	(391)	120	2,977	6,074	718	(526)	9,243	114,485
2017 - reviewed										
Balance at 1 January 2017	101,339	(563)	(604)	56	1,963	5,361	531	8,389	16,244	116,472
Profit for the period	-	-	-	-	-	-	-	5,445	5,445	5,445
Cash dividends declared	-	-	-	-	-	-	-	(5,051)	(5,051)	(5,051)
Zakah approved	-	-	-	-	-	-	-	(137)	(137)	(137)
Purchase of treasury shares	-	(301)	-	-	-	-	-	-	-	(301)
Shares allocated to staff during the period	-	-	106	42	-	-	-	-	-	148
Net movement in investment securities fair value reserve	-	-	-	-	-	-	214	-	214	214
Balance at 30 September 2017	101,339	(864)	(498)	98	1,963	5,361	745	8,646	16,715	116,790

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF GOOD FAITH QARD FUND

For the nine months ended 30 September 2018

	<i>Qard Hasan receivables BD'000 (reviewed)</i>	<i>Funds available for Qard Hasan BD'000 (reviewed)</i>	<i>Total BD'000 (reviewed)</i>
Balance at 1 January 2018	<u>71</u>	<u>57</u>	<u>128</u>
Uses of Qard fund			
Marriage	7	(7)	-
Others (Waqf)	<u>26</u>	<u>(26)</u>	<u>-</u>
Total uses during the period	33	(33)	-
Repayments	<u>(26)</u>	<u>26</u>	<u>-</u>
Balance at 30 September 2018	<u>78</u>	<u>50</u>	<u>128</u>
Balance at 1 January 2017	<u>65</u>	<u>63</u>	<u>128</u>
Uses of Qard fund			
Marriage	13	(13)	-
Others (Waqf)	<u>21</u>	<u>(21)</u>	<u>-</u>
Total uses during the period	34	(34)	-
Repayments	<u>(23)</u>	<u>23</u>	<u>-</u>
Balance at 30 September 2017	<u>76</u>	<u>52</u>	<u>128</u>
	30 September 2018 BD'000 (reviewed)	30 September 2017 BD'000 (reviewed)	
Sources of Qard fund			
Contribution by the Bank	125	125	
Donation	<u>3</u>	<u>3</u>	
	<u>128</u>	<u>128</u>	

Bahrain Islamic Bank B.S.C.**CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND**

For the nine months ended 30 September 2018

	30 September 2018 BD'000 (reviewed)	30 September 2017 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	259	222
Non-Islamic income / late payment fee	371	475
Contributions by the Bank for zakah	265	137
Contributions by the Bank for donations	200	36
Total sources of Zakah and charity funds during the period	1,095	870
Uses of Zakah and charity funds		
Philanthropic societies	260	134
Aid to needy families	305	419
Islamic events	32	-
Total uses of funds during the period	597	553
Undistributed zakah and charity funds at the end of the period	498	317

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

1 REPORTING ENTITY

Bahrain Islamic Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain in 1979 by Amiri Decree No.2 of 1979 and registered with the Ministry of Industry and Commerce ("MOIC") under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank operates under an Islamic retail banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Bank is listed on the Bahrain Bourse.

The Bank's registered office is at Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain.

The Bank has nine branches (2017: eight), all operating in the Kingdom of Bahrain.

The consolidated financial statements include the results of the Bank and its wholly owned subsidiary (together the "Group"). The Bank holds 100% of the share capital of Abaad Real Estate Company B.S.C. (c).

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information for the nine months period ended 30 September 2018 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). 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"). Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed consolidated interim financial information does not contain all the information and disclosures required for full annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at 31 December 2017 except for the effects of adoption of FAS 30 – 'Impairment, Credit losses and onerous commitments'. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last audited consolidated financial statements as at and for the year ended 31 December 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2017, except for the effects of early adoption of FAS 30 as set out in note 3(a) below. The adoption of FAS 30 has resulted in additional disclosures.

(a) EARLY ADOPTION OF FAS 30 – IMPAIRMENT, CREDIT LOSSES, AND ONEROUS COMMITMENTS

The Group has early adopted FAS 30 as issued by the AAOIFI in November 2017 which is effective for financial periods beginning on or after 1 January 2020. The date of transition is 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of FAS 30, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings.

The adoption of FAS 30 has resulted in changes in the accounting policies for impairment of financial assets. FAS 30 also amends disclosures under other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are the FAS 30 transition impact disclosures for the Group. Further details of the specific FAS 30 accounting policies applied in the current period are described in more detail below and in note 4.

(i) Reconciliation of carrying amounts as at 31 December 2017 & carrying amount as at 1 January 2018.

The following table reconciles the carrying amounts as of 31 December 2017 to the carrying amounts as on 1 January 2018 upon FAS 30:

	Carrying amount as at 31 December 2017	Re- measurement*	FAS 30 carrying amount as at 1 January 2018
	BD'000		
Financial assets			
Cash and balances with banks and Central Bank	69,666	-	69,666
Placements with financial institutions	80,845	(3)	80,842
Financing Assets - net	561,822	(12,031)	549,791
Investment in sukuk	227,906	(96)	227,810
Ijarah Muntahia Bittamleek & Ijara rental receivables	178,880	(1,142)	177,738
Other receivables	1,991	(60)	1,931
Commitments	148,540	(611)	147,929
Total financial assets	1,269,650	(13,943)	1,255,707

*Re-measurement is due to increase in impairment allowance due to change from incurred to expected credit loss (ECL).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) EARLY ADOPTION OF FAS 30 – IMPAIRMENT, CREDIT LOSSES, AND ONEROUS COMMITMENTS (continued)

The following table shows the carrying amounts of financial assets as of 1 January 2018 by stage:

	1 January 2018			Total
	Stage 1	Stage 2	Stage 3	
	BD in '000'			
Financial assets				
Cash and balances with banks and Central Bank	69,666	-	-	69,666
Placements with financial institutions	80,842	-	-	80,842
Financing Assets - net	441,746	96,007	12,038	549,791
Investment in sukuk	226,741	-	1,069	227,810
Ijarah Muntahia Bittamleek & Ijara rental receivables	154,108	9,914	13,716	177,738
Other receivables	-	1,931	-	1,931
Commitments	143,416	4,506	7	147,929
Total financial assets	1,116,519	112,358	26,830	1,255,707

The following table reconciles the impairment allowance recorded as at 31 December 2017 to that of FAS 30 as at 1 January 2018:

	31 December 2017	Re-measurement	1 January 2018 (FAS 30)
	BD'000		
Placements with financial institutions	-	3	3
Financing assets	15,167	12,031	27,198
Investment in sukuk	11,481	96	11,577
Ijarah Muntahia Bittamleek & Ijara rental receivables	13,175	1,142	14,317
Investment in associates	2,830	-	2,830
Investment in equity and funds	8,638	-	8,638
Other receivables	-	60	60
Commitments*	-	611	611
	51,291	13,943	65,234

* Disclosed as part of other liabilities.

(ii) Impact on owners equity

	Owners equity BD'000
Balance as at 31 December 2017 (as previously reported)	122,270
Recognition of expected credit losses under FAS 30	(13,943)
Impact of adopting FAS 30 by associate	(350)
Opening balance as at 1 January 2018 (restated)	107,977

(ii) Significant accounting policies adopted from 1 January 2018

The accounting policies, estimates and assumptions used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2017 except for the policies explained below. Based on the adoption of FAS 30, the following accounting policies are applicable effective 1 January 2018 replacing / amending or adding to the corresponding accounting policies set out in 2017 financial statements.

i) Impairment

The Bank recognizes loss allowances based ECL on the following financial instruments that are not measured at FVIS:

- (i) Debt type financial assets;
- (ii) bank balances and placements with banks;
- (iii) financing assets;
- (iv) financial guarantee contracts issued; and
- (v) commitments to finance.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the other financial instruments on which credit risk has not increased significantly since their initial recognition, for which ECL is measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Significant accounting policies adopted from 1 January 2018 (continued)

ii) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- (i) financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- (ii) financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- (iii) undrawn commitments to finance: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- (iv) financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

iii) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, the financial asset should be derecognized and ECL is calculated using the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

iv) Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data

- (i) significant financial difficulty of the borrower or issuer;
- (ii) a breach of contract such as a default;
- (iii) the restructuring of a financing facility by the Bank on terms that the Bank would not consider otherwise; or
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

v) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- (i) financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- (ii) where a financial instrument includes both a drawn and an undrawn component, the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

vi) Write-off

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2017, except for the impacts of adoption of FAS 30 as set out in note 3 (a), which may result in additional disclosures at year end.

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance

The Bank's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Bank reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices

Risk management is performed by the Credit and Risk Management Department under policies approved by the Board of Directors. The Credit and Risk Management Department identifies and evaluates financial risks in close co-operation with the Bank's operating units. The most important types of risks identified by the Bank are credit risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk, operational risk and price risk.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

4 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit Risk

Credit risk is considered to be the most significant and pervasive risk for the Bank. The Bank takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Bank to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the Credit and Risk Management Department which sets parameters and thresholds for the Bank's financing activities.

(ii) ECL – Significant increase in credit risk (SICR)

To determine whether credit risk has significantly increased since initial recognition, the Bank will compare the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

For Corporate portfolio, The Bank assess for significant increase in credit risk (SICR) at a counterparty level as internal rating is currently carried out at a counterparty level and rating is not assigned at facility level. The Bank maintains a facility level rating being the counterparty's internal rating at date of facility origination and date of assessment.

For Retail portfolio, Bank currently manages its retail portfolio at a facility level. However, assessment for SICR on the retail portfolio is done on a counterparty level. Days past due (DPD) of individual facilities will reflect on the counterparty SICR assessment.

iii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. The macro economic factors used in this analysis are shortlisted from the list given below:

1. Gross domestic product, constant prices;
2. Total investments;
3. Gross national savings;
4. Inflation, average consumer prices;
5. Volume of imports of goods and services;
6. Volume of exports of goods and services (including oil);
7. Population;
8. General government revenue;
9. General government total expenditure;
10. General government net lending / borrowing; and
11. General government net debt.

Based on consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (i.e. on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

For Corporate portfolio, through the yearly review of the corporate portfolio, the Bank observes yearly performances to compute a count based PD over the one year horizon for the past 5 years. These PDs are grouped as per internal risk ratings (i.e. from 1 to 7). An average default rate of the 5 yearly observed default provides the through the cycle PDs. Where a counterparty is not rated, PD assigned for rating 6 is used.

- (i) Auto finance;
- (ii) Mortgage finance;
- (iii) Tasheel Finance and Others; and
- (iv) Credit cards.

PDs for each segment are measured using Observed Default Estimation and thus PD is calculated based on DPD bucket level for each segment separately. Under this analysis, the delinquency status of accounts is tracked at an interval of one year with a moving month cycle. A minimum of 5 year DPD data is considered.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

4 FINANCIAL RISK MANAGEMENT (Continued)

(iv) *Determining whether credit risk has increased significantly*

In determining whether credit risk has increased significantly since initial recognition, the Bank uses its internal credit risk grading system, external risk ratings, delinquency status of accounts, restructuring, expert credit judgement and, where possible, relevant historical experience.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews and validations:

The Bank classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1 (12 months ECL): for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Bank recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1 only exceptions are Purchased or Originated Credit Impaired (POCI) assets.

Stage 2 (lifetime ECL not credit impaired): for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Bank recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected maturity profile including restructuring or rescheduling of facilities.

Stage 3 (lifetime ECL credit impaired): for credit-impaired financial instruments, the Bank recognises the lifetime ECL. Default identification process i.e. DPD of 90 more is used as stage 3.

v) *Definition of 'Default'*

The Banks definition of default is aligned with regulatory guidelines and internal credit risk management practices. Defaulted assets will fall under the Stage 3. In general, a counterparty is considered in default and hence relevant financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment; rather the combined effect of several events may have caused the impairment losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset. Following are certain indicators to identify the impairment of asset (indicators are not necessarily to be observed on individual basis):

- (i) significant financial difficulty of the issuer or the obligor;
- (ii) material breach of facility covenants, conditions and contract (subject to management discretion);
- (iii) grant to the borrower a concession that the lender would not otherwise consider except for economic or legal reasons relating to the borrower's financial difficulty;
- (iv) imminent bankruptcy or other financial reorganization of the borrower;
- (v) significant downgrading in credit rating by an external credit rating agency;
- (vi) disappearance of an active market because of financial difficulties;
- (vii) presence of past due contractual payments of either principal or profit;
- (viii) deterioration in the value of security and likelihood of successfully realising it

In general, counterparties with facilities exceeding 90 days past dues are considered in default.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

4 FINANCIAL RISK MANAGEMENT (Continued)

vi) *Incorporation of forward looking information*

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. the Bank annually source macro-economic forecast data for eleven variables from the International Monetary Fund (IMF) database for Bahrain.

Macro-economic variables checked for correlation with the probability of default for the past five years and only those variables for which the movement can be explained are used. Management judgement is exercised when assessing the macroeconomic variables.

vii) *Measurement of ECL*

The Bank measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, CCF and discount rate. For portfolios wherein instrument level information is not available, the Bank carries out ECL estimation on a collective basis.

The key inputs into the measurement of ECL are the term structure of the following variables:

- (i) probability of default (PD);
- (ii) loss given default (LGD); and
- (iii) exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Corporate PD estimates are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

Retail PD estimates are measured using Observed Default Estimation at the segment level and thus PD will be calculated based at DPD bucket level for each segment separately. Under this analysis, the delinquency status of accounts will be tracked at an interval of one year with a moving month cycle.

Debt type instruments Portfolio, Nostro and Interbank Placements portfolio is assessed for SICR using external ratings, the Bank shall obtain PD estimates from Moody's / Standard & Poor's (S&P) / Fitch or any other external ratings.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a financing commitment or guarantee.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

4 FINANCIAL RISK MANAGEMENT (Continued)

viii) Impairment allowance

- a. The following table sets out information about the credit quality of financial assets measured at amortized cost, unless specifically indicated:

	30 September 2018			Total
	Stage 1	Stage 2	Stage 3	
	BD in '000'			
Corporate and retail (Funded exposure)				
Gross exposure	652,492	33,108	100,789	786,389
Less: ECL	(3,905)	(2,299)	(36,047)	(42,251)
Corporate and retail carrying amount	648,587	30,809	64,742	744,138
Investment in Sukuk				
Gross exposure	221,613	-	12,547	234,160
Less: ECL	(52)	-	(12,174)	(12,226)
Investment in Sukuk carrying amount	221,561	-	373	221,934
Placements with financial institutions				
Gross exposure	90,334	-	-	90,334
Less: ECL	(3)	-	-	(3)
Placements with financial institutions carrying amount	90,331	-	-	90,331
Balances with Banks				
Gross exposure	11,284	-	-	11,284
Less: ECL	-	-	-	-
Balances with Banks carrying amount	11,284	-	-	11,284
Other Receivables				
Gross exposure	1,423	1,932	101	3,456
Less: ECL	(6)	(28)	(97)	(131)
Other Receivables carrying amount	1,417	1,904	4	3,325
Total financial assets carrying amount	973,180	32,713	65,119	1,071,012
Commitments				
Gross exposure	39,046	660	1,114	40,820
ECL	(327)	(5)	(6)	(338)
	30 September 2018			Total
	Stage 1	Stage 2	Stage 3	
	BD in '000'			
Financial assets impairment allowance				
Balance at 1 January 2018	3,012	11,183	39,571	53,766
Net transfer between stages	1,946	(6,056)	4,110	-
Charge for the period (net)	(665)	(2,795)	7,816	4,356
Recoveries/write-backs	-	-	(232)	(232)
Amounts written off during the period	-	-	(2,927)	(2,927)
Foreign exchange movement	-	-	(14)	(14)
Balance as at 30 September 2018	4,293	2,332	48,324	54,949

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

5 CAPITAL ADEQUACY

	30 September 2018 (Reviewed) BD'000	31 December 2017 (Audited) BD'000
Credit risk weighted assets	605,794	570,342
Operational risk weighted assets	103,812	86,085
Market risk weighted assets	9,693	10,702
Total Pillar I - risk weighted assets	719,299	667,129
Tier I capital	108,411	116,125
Tier II capital	12,754	13,283
Total tier I & II capital	121,165	129,408
Tier I ratio	15.07%	17.41%
Tier I & II ratio	16.84%	19.40%

6 JUDGMENT AND ESTIMATES

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same as applied to the consolidated financial statements as at and for the year ended 31 December 2017, except for the effects of early adoption of FAS 30 as described in Note 3 to this condensed consolidated interim financial information.

7 COMPARATIVE INFORMATION

The condensed interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the Group's audited consolidated financial statements for the year ended 31 December 2017 and comparatives for the condensed consolidated statements of income, changes in owner's equity, cash flows, sources and uses of Good Faith Qard Fund and sources and uses of Zakah and Charity Fund have been extracted from the Group's reviewed condensed consolidated interim financial information for the nine months ended 30 September 2017.

8 SEASONALITY

The Bank does not have significant income of seasonal nature.

9 FINANCING ASSETS

	30 September 2018 BD'000 (Reviewed)	31 December 2017 BD'000 (Audited)
Murabaha	547,192	522,216
Musharaka	141,034	107,468
Gross financing assets	688,226	629,684
Deferred profits	(98,189)	(52,695)
Impairment allowance	(28,138)	(15,167)
	561,899	561,822

10 INVESTMENT SECURITIES

	30 September 2018 BD'000 (Reviewed)	31 December 2017 BD'000 (Audited)
i) Debt type instruments*		
<i>Quoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	129,295	61,626
Acquisitions	43,390	70,043
Disposals and redemptions	(49,181)	(2,374)
Gross balance at the end of the period	123,504	129,295
Impairment allowance	(23)	-
Net balance at the end of the period	123,481	129,295
<i>Unquoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	110,092	60,763
Acquisitions	38,104	49,503
Disposals and redemptions	(37,526)	(223)
Foreign currency translation changes	(14)	49
Gross balance at the end of the period	110,656	110,092
Impairment allowance	(12,203)	(11,481)
Net balance at the end of the period	98,453	98,611
ii) Equity type instruments		
<i>Quoted shares - at fair value through equity</i>		
Gross balance	-	2,392
Impairment allowance	-	(1,704)
Disposals	-	(688)
Net balance at the end of the period	-	-
<i>Unquoted shares - at cost less impairment</i>		
Gross balance	24,963	24,963
Impairment allowance	(9,037)	(8,638)
Net balance at the end of the period	15,926	16,325
<i>Unquoted managed funds - at cost less impairment</i>		
Gross balance	14,168	14,168
Impairment allowance	-	-
Net balance at the end of the period	14,168	14,168
Total net investment securities	252,028	258,399

* As of 30 September 2018, debt type instruments includes sukuk of BD 138,499 thousand (2017: Nil) pledged against borrowings from financial institutions of BD 102,371 thousand (2017: Nil).

11 INVESTMENT IN REAL ESTATE

	30 September 2018 BD'000 (Reviewed)	31 December 2017 BD'000 (Audited)
Lands	25,481	27,796
Buildings	415	2,035
	25,896	29,831
	30 September 2018 BD'000 (Reviewed)	31 December 2017 BD'000 (Audited)
Beginning of the period	29,831	29,510
Capitalized expenditure	-	28
Disposal	(3,935)	(372)
Fair value changes	-	665
End of the period	25,896	29,831

Investment in real estate comprises properties located in the Kingdom of Bahrain and the United Arab Emirates.

12 OTHER ASSETS

	30 September 2018 BD'000 (Reviewed)	31 December 2017 BD'000 (Audited)
Reposessed assets	5,689	5,689
Receivables*	3,737	2,475
Staff advances	1,660	1,608
Prepaid expenses	963	1,138
Other	131	285
	12,180	11,195

* Receivables are net of ECL amounting to BD 131 thousand as of 30 September 2018 (31 December 2017: Nil).

13 OTHER LIABILITIES

	30 September 2018 BD'000 (Reviewed)	31 December 2017 BD'000 (Audited)
Managers' cheques	3,111	1,833
Payable to vendors	3,363	708
Accrued expenses	3,218	3,618
Life insurance (Takaful) fees payable	860	999
Dividends payable	969	1,000
Zakah and charity fund	498	259
Other*	2,818	3,090
	14,837	11,507

* Other liabilities includes ECL on commitments exposures of BD 338 thousand as of 30 September 2018 (31 December 2017: Nil).

14 IMPAIRMENT ALLOWANCE, NET

	30 September 2018 BD'000 (Reviewed)	30 September 2017 BD'000 (Reviewed)
Impairment on financial assets (note 4)	4,124	6,531
Impairment on associates	1,243	-
Impairment on unquoted equities (note 10 (ii))	399	1,013
	5,766	7,544

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

15 COMMITMENTS AND CONTINGENT LIABILITIES**Credit related commitments**

These include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Letters of credit and guarantees commit the Group to make payments on behalf of customers.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	30 September 2018 BD'000 (Reviewed)	31 December 2017 BD'000 (Audited)
Letters of credit and acceptances	4,963	5,470
Guarantees	74,028	74,159
Credit Cards	33,003	30,508
Altamweel Almaren	18,479	19,033
Operating lease commitments *	352	223
Commitments to finance	34,962	19,147
	165,787	148,540

* The Group has entered into commercial leases for certain branches. The remaining average period of these leases ranges between 1 month and 3 years with renewal terms included in the contracts. Renewals are at the option of the Bank. There are no restrictions placed upon the lessee by entering into these leases.

16 RELATED PARTY TRANSACTIONS

Related parties comprise of 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 made on commercial terms.

The significant balances and transactions with related parties at 30 September 2018 were as follows:

	30 September 2018 (Reviewed)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Financing assets	-	-	1,418	-	1,418
Investment in associates	-	22,137	-	-	22,137
Other assets	-	-	-	306	306
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	198	316	62	576
Other liabilities	-	-	377	-	377
Equity of investment accountholders	48,563	-	1,608	887	51,058
	30 September 2018 (Reviewed)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing	-	-	82	-	82
Share of results of associates, net	-	36	-	-	36
Return on equity of investment accountholders	(1,073)	-	(25)	(24)	(1,122)
Expense on borrowings from financial institutions	(532)	-	-	-	(532)
Expenses					
Staff costs	-	-	-	(1,037)	(1,037)
Other expenses	-	-	(306)	-	(306)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

16 RELATED PARTY TRANSACTIONS (continued)

31 December 2017 (Audited)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Financing assets	-	-	1,688	5	1,693
Investment in associates	-	23,739	-	-	23,739
Other assets	-	-	-	281	281
Liabilities and Equity of investment accountholders					
Borrowings from financial institutions	38,991	-	-	-	38,991
Customers' current accounts	-	130	662	280	1,072
Other liabilities	-	-	517	-	517
Equity of investment accountholders	47,092	-	7,819	1,563	56,474
30 September 2017 (Reviewed)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing	-	-	69	-	69
Share of results of associates, net	-	(1,366)	-	-	(1,366)
Return on equity of investment accountholders	(1,143)	-	(18)	(10)	(1,171)
Expense on borrowings from financial institutions	(609)	-	-	-	(609)
Expenses					
Staff costs	-	-	-	(1,072)	(1,072)
Other expenses	-	-	(390)	-	(390)

Compensation of the key management personnel is as follows:

		Nine months ended 30 September	
		2018 BD'000	2017 BD'000
Short term employee benefits		846	923
Other long term benefits		191	169
		1,037	1,092

17 FINANCIAL INSTRUMENTS

Fair value hierarchy

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

Fair values of quoted securities/sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

17 FINANCIAL INSTRUMENTS (continued)

As of 30 September 2018, the Bank did not have any financial instruments recorded at fair value.

Transfers between Level 1, Level 2 and Level 3

During the nine-months period ended 30 September 2018 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

Fair values of quoted securities/sukuk are derived from quoted market prices in active markets, if available. In case of financing assets the average profit rate of the portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the current value would not be materially different from fair value of these assets. Other than equity investments and managed funds carried at cost of BD 30,493 thousand (2017: BD 30,493 thousand), the estimated fair value of the Bank's other financial instruments are not significantly different from their carrying values due to their short-term nature.

18 SEGMENTAL INFORMATION

For management purposes, the Group is organised into three major business segments;

Corporate	Principally handling equity of corporate investment accountholders', corporate current accounts, and providing Islamic financing facilities to corporate customers.
Retail	Principally handling equity of individual retail customers' investment accountholders', retail current accounts, and providing Islamic financing facilities to individual customers.
Investment	Principally handling equity of banks' and financial institutions' investment accountholders, providing money market, trading and treasury services as well as the management of the Group's investment activities. Investment activities involve handling investments in local and international markets and investment in properties.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2018

18 SEGMENTAL INFORMATION (continued)

Segment information is disclosed as follows:

	<i>For the nine months ended 30 September 2018 (Reviewed)</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total net income	6,854	17,675	6,823	31,352
Total expenses	(3,602)	(12,932)	(2,179)	(18,713)
Impairment allowance, net	(2,558)	(830)	(2,378)	(5,766)
Profit / (loss) for the period	694	3,913	2,266	6,873

Other information

	<i>30 September 2018 (Reviewed)</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	350,324	454,041	412,733	1,217,098
Segment liabilities, and equity	349,964	528,270	338,864	1,217,098

	<i>For the nine months ended 30 September 2017 (Reviewed)</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Total net income	9,159	20,645	2,810	32,614
Total expenses	(3,531)	(13,710)	(2,384)	(19,625)
Impairment allowance, net	(4,691)	487	(3,340)	(7,544)
Profit / (loss) for the period	937	7,422	(2,914)	5,445

Other information

	<i>31 December 2017 (Audited)</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	330,624	455,535	442,488	1,228,647
Segment liabilities, and equity	450,926	517,873	259,848	1,228,647

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

19 COMPARATIVES

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported profit for the period or total equity, except for the changes due to early adoption of FAS 30 (refer to note 3).