

BAHRAIN ISLAMIC BANK B.S.C.
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
31 MARCH 2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the three months ended 31 March 2019

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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

4 May 2019

Introduction

We have reviewed the accompanying 31 March 2019 condensed consolidated interim financial information of Bahrain Islamic Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2019;
- the condensed consolidated statement of income for the three-month period ended 31 March 2019;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2019;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2019;
- the condensed consolidated statement of sources and uses of good faith qard fund for the three-month period ended 31 March 2019;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the three-month period ended 31 March 2019; 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 31 March 2019 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.

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	31 March 2019 BD'000 (reviewed)	31 December 2018 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		75,575	65,437
Placements with financial institutions		136,324	137,450
Financing assets	8	575,399	580,076
Investment securities	9	283,405	240,053
Ijarah Muntahia Bittamleek		173,390	165,730
Ijarah rental receivables		15,211	21,141
Investment in associates		21,741	21,643
Investment in real estate	10	23,868	24,284
Property and equipment		13,592	13,641
Other assets	11	11,371	11,062
TOTAL ASSETS		1,329,876	1,280,517
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		161,165	114,744
Placements from non-financial institutions and individuals		87,208	36,234
Borrowings from financial institutions		96,577	96,386
Customers' current accounts		156,621	133,244
Other liabilities	12	16,332	25,148
Total Liabilities		517,903	405,756
Equity of Investment Accountholders		692,164	757,012
Owners' Equity			
Share capital		106,406	106,406
Treasury shares		(892)	(892)
Shares under employee share incentive scheme		(160)	(391)
Share premium		180	120
Reserves		14,275	12,506
Total Owners' Equity		119,809	117,749
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		1,329,876	1,280,517

The condensed consolidated interim financial information was approved by the Board of Directors on 4 May 2019 and signed on its behalf by:


 Dr. Esam Abdulla Fakhro
 Chairman


 Brig. Ebrahim Abdulla Al Mahmood
 Vice Chairman



 Hassan Amin Jarrar
 Chief Executive Officer


Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2019

	Note	Three months ended 31 March	
		2019 BD'000 (reviewed)	2018 BD'000 (reviewed)
INCOME			
Income from financing		11,532	10,522
Income from investment in Sukuk		2,978	2,590
Total income from jointly financed assets		14,510	13,112
Return on equity of investment accountholders		(7,997)	(9,183)
Group's share as Mudarib		5,235	5,766
Net return on equity of investment accountholders		(2,762)	(3,417)
Group's share of income from jointly financed assets (both as mudarib and investor)		11,748	9,695
Expense on placements from financial institutions		(990)	(278)
Expense on placements from non-financial institutions and individuals		(551)	(94)
Expense on borrowings from financial institutions		(870)	(1,002)
Fee and commission income		1,868	1,798
Income from investment securities		616	93
Income from investment in real estate		(10)	(232)
Share of results of associates, net		(53)	4
Other income		543	181
Total income		12,301	10,165
EXPENSES			
Staff costs		3,840	2,973
Depreciation		348	406
Other expenses		2,231	2,572
Total expenses		6,419	5,951
Profit before impairment allowances		5,882	4,214
Impairment allowance, net	13	(3,684)	(2,062)
PROFIT FOR THE PERIOD		2,198	2,152
BASIC AND DILUTED EARNINGS PER SHARE (fils)		2.09	2.05


Dr. Esam Abdulla Fakhro
Chairman


Brig. Ebrahim Abdulla Al Mahmood
Vice Chairman


Hassan Amin Jarrar
Chief Executive Officer

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2019

	<i>Three months ended</i>	
	<i>31 March</i>	
	2019	2018
	BD'000	BD'000
	<i>(reviewed)</i>	<i>(reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	2,198	2,152
Adjustments for non-cash items:		
Depreciation	348	406
Impairment allowance, net	3,684	2,062
Amortization of gain on sale of investment in real estate	(5)	(5)
Loss on sale of investment in real estate	59	292
Gain on foreign exchange revaluation	9	(46)
Share of results of associates, net	53	(4)
Operating profit before changes in operating assets and liabilities	6,346	4,857
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	(335)	905
Financing assets	1,437	(13,592)
Ijarah Muntahia Bittamleek	(1,937)	(1,177)
Other assets	(297)	90
Customers' current accounts	23,377	12,719
Other liabilities	(8,947)	1,895
Placements from financial institutions	48,424	45,276
Placements from non-financial institutions and individuals	50,974	-
Equity of investment accountholders	(64,848)	(50,450)
Net cash from operating activities	54,194	523
INVESTING ACTIVITIES		
Disposal of investment in real estate	358	1,753
Purchase of property and equipment	(299)	(140)
Purchase of investment securities	(51,333)	(27,279)
Proceeds from disposal of investment securities	7,570	17,829
Net cash used in investing activities	(43,704)	(7,837)
FINANCING ACTIVITIES		
Borrowings from financial institutions	191	(13,212)
Dividends paid	(2)	(8)
Net cash from / (used in) financing activities	189	(13,220)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	10,679	(20,534)
Cash and cash equivalents at 1 January	163,116	112,794
CASH AND CASH EQUIVALENTS AT 31 MARCH	173,795	92,260
Cash and cash equivalents comprise of:		
Cash on hand	15,421	11,570
Balances with CBB, excluding mandatory reserve deposits	14,546	24,105
Balances with banks and other financial institutions excluding restricted balances	7,504	6,477
Placements with financial institutions with original maturities less than 90 days	136,324	50,108
	173,795	92,260

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2019

	Reserves										Total owners' equity BD'000
	Shares under employee share					Reserves					
	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	Retained earnings / (Accumulated losses) BD'000	Total reserves BD'000		
2019 - reviewed											
Balance at 1 January 2019	106,406	(892)	(391)	120	4,115	4,830	718	2,843	12,506	117,749	
Profit for the period	-	-	-	-	-	-	-	2,198	2,198	2,198	
Zakah approved	-	-	-	-	-	-	-	(179)	(179)	(179)	
Donations approved	-	-	-	-	-	-	-	(250)	(250)	(250)	
Shares allocated to staff during the period	-	-	231	60	-	-	-	-	-	291	
Balance at 31 March 2019	106,406	(892)	(160)	180	4,115	4,830	718	4,612	14,275	119,809	
2018 - reviewed											
Balance at 1 January 2018	101,339	(864)	(498)	98	2,977	6,145	745	12,328	22,195	122,270	
Impact of adopting FAS 30	-	-	-	-	-	-	-	(13,943)	(13,943)	(13,943)	
Impact of adopting FAS 30 by associate	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	2,152	2,152	2,152	
Bonus shares	5,067	(28)	(34)	(35)	-	-	-	(4,970)	(4,970)	-	
Zakah approved	-	-	-	-	-	-	-	(265)	(265)	(265)	
Donations approved	-	-	-	-	-	-	-	(200)	(200)	(200)	
Shares allocated to staff during the period	-	-	141	57	-	-	-	-	-	198	
Balance at 31 March 2018	106,406	(892)	(391)	120	2,977	6,145	745	(5,248)	4,619	109,862	

Bahrain Islamic Bank B.S.C.

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

For the three months ended 31 March 2019

	<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 2019	<u>71</u>	<u>57</u>	<u>128</u>
Sources of Qard Fund			
Non-Islamic income	-	87	87
Repayments	<u>(13)</u>	<u>13</u>	<u>-</u>
Total sources during the period	<u>(13)</u>	<u>100</u>	<u>87</u>
Uses of Qard fund			
Marriage	6	(6)	-
Others (Waqf)	-	-	-
Total uses during the period	<u>6</u>	<u>(6)</u>	<u>-</u>
Balance at 31 March 2019	<u>64</u>	<u>151</u>	<u>215</u>
Balance at 1 January 2018	<u>71</u>	<u>57</u>	<u>128</u>
Sources of Qard Fund			
Repayments	<u>(8)</u>	<u>8</u>	<u>-</u>
Total sources during the period	<u>(8)</u>	<u>8</u>	<u>-</u>
Uses of Qard fund			
Marriage	-	-	-
Others (Waqf)	<u>9</u>	<u>(9)</u>	<u>-</u>
Total uses during the period	<u>9</u>	<u>(9)</u>	<u>-</u>
Balance at 31 March 2018	<u>72</u>	<u>56</u>	<u>128</u>
		<i>31 March 2019 BD'000 (reviewed)</i>	<i>31 March 2018 BD'000 (reviewed)</i>
Sources of Qard fund			
Contribution by the Bank		125	125
Donation		3	3
Non-Islamic income		87	-
		<u>215</u>	<u>128</u>

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

For the three months ended 31 March 2019

	31 March 2019 BD'000 (reviewed)	31 March 2018 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	314	259
Non-Islamic income / late payment fee	73	54
Contributions by the Bank for zakah	179	265
Contributions by the Bank for donations	250	200
Total sources of Zakah and charity funds during the period	816	778
Uses of Zakah and charity funds		
Philanthropic societies	34	12
Aid to needy families	93	61
Islamic events	-	3
Total uses of funds during the period	127	76
Undistributed zakah and charity funds at the end of the period	689	702

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2019

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, Commerce and Tourism ("MOICT") 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 (2018: nine), all operating in the Kingdom of Bahrain.

The consolidated financial statements include the results of the Bank and its wholly owned subsidiaries (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 three months period ended 31 March 2019 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 2018. 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 2018.

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 2018.

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 2018.

5 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 2018.

6 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 2018 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 three months ended 31 March 2018.

7 SEASONALITY

The Bank does not have significant income of seasonal nature. The Other income includes BD 616 thousand (2018: BD 93 thousand) of dividends received from Bank's investments.

8 FINANCING ASSETS

	31 March 2019 BD'000 (Reviewed)	31 December 2018 BD'000 (Audited)
Murabaha	577,578	575,041
Musharaka	98,273	100,127
Gross financing assets	675,851	675,168
Deferred profits	(67,348)	(65,253)
Impairment allowance	(33,104)	(29,839)
	575,399	580,076

8.1 The movement on impairment allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
2019				
At 1 January 2019	2,157	3,146	24,536	29,839
Net movement between stages	50	(421)	371	-
Net charge for the period	(95)	314	3,049	3,268
Write-off	-	-	(3)	(3)
At 31 March 2019	2,112	3,039	27,953	33,104
2018				
At 1 January 2018	2,367	9,486	15,345	27,198
Net movement between stages	1,302	(4,304)	3,002	-
Net charge for the year	(1,512)	(2,036)	10,079	6,531
Write-backs	-	-	(784)	(784)
Write-off	-	-	(3,106)	(3,106)
At 31 December 2018	2,157	3,146	24,536	29,839

9 INVESTMENT SECURITIES

	31 March 2019 BD'000 (Reviewed)	31 December 2018 BD'000 (Audited)
i) Debt type instruments*		
<i>Quoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	160,727	176,806
Acquisitions	24,480	41,891
Disposals and redemptions	(1,765)	(57,970)
Gross balance at the end of the period	183,442	160,727
Impairment allowance	(23)	(23)
Net balance at the end of the period	183,419	160,704
<i>Unquoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	58,725	62,581
Acquisitions	26,853	33,699
Disposals and redemptions	(5,805)	(37,534)
Foreign currency translation changes	(5)	(21)
Gross balance at the end of the period	79,768	58,725
Impairment allowance	(12,182)	(12,196)
Net balance at the end of the period	67,586	46,529
ii) Equity type instruments		
<i>Unquoted shares - at cost less impairment</i>		
Gross balance	28,436	28,436
Impairment allowance	(10,204)	(9,784)
Net balance at the end of the period	18,232	18,652
<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	283,405	240,053

* As of 31 March 2019, debt type instruments includes sukuk of BD 130,578 thousand (31 December 2018: BD 134,895 thousand) pledged against borrowings from financial institutions of BD 96,577 thousand (31 December 2018: BD 96,386 thousand).

10 INVESTMENT IN REAL ESTATE

	31 March 2019 BD'000 (Reviewed)	31 December 2018 BD'000 (Audited)
Lands	23,709	23,966
Buildings	159	318
	<u>23,868</u>	<u>24,284</u>

	31 March 2019 BD'000 (Reviewed)	31 December 2018 BD'000 (Audited)
Movement in investment in real estate:		
Beginning of the period	24,284	29,831
Disposal	(416)	(4,028)
Fair value changes	-	(1,519)
End of the period	<u>23,868</u>	<u>24,284</u>

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

11 OTHER ASSETS

	31 March 2019 BD'000 (Reviewed)	31 December 2018 BD'000 (Audited)
Repossessed assets	5,103	5,103
Receivables*	3,452	3,224
Staff advances	1,706	1,717
Prepaid expenses	892	803
Other	218	215
	<u>11,371</u>	<u>11,062</u>

* Receivables are net of ECL amounting to BD 222 thousand as of 31 March 2019 (31 December 2018: BD 233 thousand).

12 OTHER LIABILITIES

	31 March 2019 BD'000 (Reviewed)	31 December 2018 BD'000 (Audited)
Managers' cheques	3,126	3,560
Payable to vendors	3,868	3,874
Accrued expenses	2,876	3,551
Life insurance (Takaful) fees payable	748	845
Dividends payable	926	928
Zakah and charity fund	689	314
Other*	4,099	12,076
	<u>16,332</u>	<u>25,148</u>

* Other liabilities includes ECL of BD 157 thousand as of 31 March 2019 (31 December 2018: BD 185 thousand) on commitments.

13 IMPAIRMENT ALLOWANCE, NET

	31 March 2019 BD'000 (Reviewed)	31 March 2018 BD'000 (Reviewed)
Financing assets (note 8.1)	3,268	1,658
Ijarah rental receivables	207	(379)
Investments in Sukuk	(8)	184
Investments at fair value through equity	419	-
Investment in associate	(161)	648
Placements with financial institutions	(2)	(1)
Other assets	(11)	67
Commitments	(28)	(115)
	3,684	2,062

14 COMMITMENTS AND CONTINGENT LIABILITIES

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:

	31 March 2019 BD'000 (Reviewed)	31 December 2018 BD'000 (Audited)
Letters of credit and acceptances	6,820	6,166
Guarantees	62,760	66,316
Credit Cards	35,105	34,048
Altamweel Almaren	21,610	15,405
Commitments to finance	20,578	35,422
Operating lease commitments*	307	327
	147,180	157,684

* 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.

For the three months ended 31 March 2019

15 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 31 March 2019 were as follows:

	31 March 2019 (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	-	-	933	-	933
Investment in associates	-	21,741	-	-	21,741
Other assets	-	-	-	299	299
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	816	333	158	1,307
Other liabilities	-	-	345	-	345
Equity of investment accountholders	48,836	-	668	1,103	50,607
	31 March 2019 (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	-	-	19	-	19
Share of results of associates, net	-	(53)	-	-	(53)
Return on equity of investment accountholders	(451)	-	-	(11)	(462)
Expenses					
Staff costs	-	-	-	(394)	(394)
Other expenses	-	-	109	-	109
	31 December 2018 (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	-	-	1,615	-	1,615
Investment in associates	-	21,643	-	-	21,643
Other assets	-	-	-	285	285
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	177	425	77	679
Other liabilities	-	-	500	-	500
Equity of investment accountholders	48,972	-	695	980	50,647
	31 March 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	-	-	25	-	25
Share of results of associates, net	-	4	-	-	4
Return on equity of investment accountholders	(311)	-	(8)	(8)	(327)
Expense on borrowings from financial institutions	(359)	-	-	-	(359)
Expenses					
Staff costs	-	-	-	(329)	(329)
Other expenses	-	-	(53)	-	(53)

Compensation of the key management personnel is as follows:

	Three months ended 31 March	
	2019 BD'000	2018 BD'000
Short term employee benefits	317	268
Other long term benefits	77	61
	394	329

16 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.

As of 31 March 2019, the Bank did not have any financial instruments recorded at fair value.

Transfers between Level 1, Level 2 and Level 3

During the three-months period ended 31 March 2019 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 32,400 thousand (2018: BD 32,820 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.

17 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.

For the three months ended 31 March 2019

17 SEGMENTAL INFORMATION (continued)

Segment information is disclosed as follows:

	<i>For the three months ended 31 March 2019 (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	2,630	6,466	3,205	12,301
Total expenses	(1,339)	(4,637)	(443)	(6,419)
Impairment allowance, net	(2,494)	(953)	(237)	(3,684)
Profit / (loss) for the period	(1,203)	876	2,525	2,198

Other information

	<i>31 March 2019 (Reviewed)</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	358,374	471,478	500,024	1,329,876
Segment liabilities, and equity	433,864	570,506	325,506	1,329,876

	<i>For the three months ended 31 March 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	2,097	5,934	2,134	10,165
Total expenses	(1,106)	(4,098)	(747)	(5,951)
Impairment allowance, net	(361)	(828)	(873)	(2,062)
Profit for the period	630	1,008	514	2,152

Other information

	<i>31 December 2018 (Audited)</i>			
	<i>Corporate BD'000</i>	<i>Retail BD'000</i>	<i>Investment BD'000</i>	<i>Total BD'000</i>
Segment assets	365,325	466,958	448,234	1,280,517
Segment liabilities, and equity	410,663	545,823	324,031	1,280,517

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

18 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.