بنك الإبداع
للتمويل متناهي الصغر
البحرين

البيانات المالية* الختامية للسنة المنتهية في ٣١ ديسمبر ٢٠١٨

قائمة المركز المالي
كما في ٣١ ديسمبر ٢٠١٨

	٢٠١٨ دينار بحريني	٢٠١٧ دينار بحريني
الموجودات		
النقد وما في حكمه	٦٤٨,٤٦٣	١٨٨,٣٤٧
ودائع لدى البنوك	٩٨,٣٥٤	٥٠٠,٠٠٠
محفظة القروض القائمة	٢,٠٨٨,٣٥٠	١,٦٠٠,٠٦٤
موجودات اخرى	٩٩,٥٧١	٩٧,٢٢١
المعدات	١١٩,٩٩٥	٦٨,٣٣٢
مجموع الموجودات	**٣,٠٥٤,٧٣٣**	٢,٤٥٣,٩٦٤
المطلوبات وحقوق الملكية		
المطلوبات		
قروض من جهات خاصة وحكومية	١,١٢٠,٠٠٠	١,٠٠٠,٠٠٠
ايرادات مؤجلة	٢١٠,٣٧٥	١٣٠,٤٢٩
مخصص نهاية الخدمة للموظفين غير البحرينيين	١٩,٨١٨	١١,٣٦٧
مطلوبات اخرى	١٧٩,٠٧١	٨٧,٤٢٣
مجموع المطلوبات	**١,٥٢٩,٢٦٤**	١,٢٢٩,٢١٩
حقوق المالكين		
راس المال المدفوع	٢,٢٠٩,٧٢٠	٢,٢٠٩,٧٢٠
احتياطي عام	٣٠,٤٥٠	–
الخسائر متراكمة	(٧١٤,٧٠١)	(٩٨٤,٩٧٥)
مجموع حقوق المالكين	**١,٥٢٥,٤٦٩**	١,٢٢٤,٧٤٥
مجموع المطلوبات وحقوق المالكين	**٣,٠٥٤,٧٣٣**	٢,٤٥٣,٩٦٤

قائمة الدخل
للسنة المنتهية بتاريخ ٣١ ديسمبر ٢٠١٨

	٢٠١٨ دينار بحريني	٢٠١٧ دينار بحريني
ايرادات الفوائد	٣٣٤,٧١٩	٢٧٢,٧٦٦
النفقات المالية	(٥,٠٠٠)	(٥,٠٠٠)
صافي ايرادات الفوائد	٣٢٩,٧١٩	٢٦٧,٧٦٦
ايرادات الرسوم	٥٥٠,٩٧٢	٣٨٦,٢٠٠
ايرادات اخرى	١١٣,٤٦٤	٦٠,٤٤٣
اجمالي الايرادات	٩٩٤,١٥٥	٧١٤,٤٠٩
تكاليف الموظفين	٥٢٤,٢٢٨	٤١٠,٥٩٩
الاستهلاك	٣٨,٠٠٦	١٧,٤١٣
مخصص خسارة القروض المتوقعة (المبالغ المستردة من المخصص)	(٦٣,٩٤٩)	٩٦٤
المصاريف الاخرى	١٨٨,٩٨٤	١٩١,٤٣١
اجمالي المصاريف	٦٨٧,٢٦٩	٦٢٠,٤٠٧
صافي الأرباح ومجموع الدخل الاجمالي للسنة	٣٠٦,٨٨٦	٩٤,٠٠٢

قائمة التدفقات النقدية
للسنة المنتهية بتاريخ ٣١ ديسمبر ٢٠١٨

	٢٠١٨ دينار بحريني	٢٠١٧ دينار بحريني
الانشطة التشغيلية		
صافي ربح السنة	٣٠٦,٨٨٦	٩٤,٠٠٢
تعديلات للبنود غير النقدية		
الاستهلاك	٣٨,٠٠٦	١٧,٤١٣
مخصص خسارة القروض المتوقعة (المبالغ المستردة من المخصص)	(٦٣,٩٤٩)	٩٦٤
مخصص نهاية الخدمة للموظفين غير البحرينيين	٨,٤٥١	٣,٧٠٥
ايراد بيع موجودات ثابتة	(٧٤٩)	–
الربح التشغيلي قبل التغير في البنود التشغيلية	٢٨٨,٦٤٥	١١٦,٠٨٤
التغير في الموجودات والمطلوبات التشغيلية		
ودائع لدى البنوك	٤٠١,٦٤٦	(١٠٠,٠٠٠)
قروض ممنوحة للعملاء	(٤٢٤,٣٣٧)	(٥٩٩,٧٦٤)
الموجودات الاخرى	(٢,٣٥٠)	٤٩,٧٢٧
ايرادات مؤجلة	٧٩,٩٤٦	٦٦,١١٧
المطلوبات الاخرى	٩١,٦٤٨	١٤,٧١٥
تعويض نهاية الخدمة المدفوع	–	(١٤٥)
صافي النقد المستخدم في الانشطة التشغيلية	٤٣٥,١٩٨	(٤٥٣,٢٦٧)
الانشطة الاستثمارية		
شراء معدات واثاث وتجهيزات	(٨٩,٨٥١)	(١٩,٧٣٠)
عوائد بيع مركبة	٩٣١	–
صافي النقد المستخدم في الانشطة الاستثمارية	(٨٨,٩٢٠)	(١٩,٧٣٠)
الانشطة التمويلية		
قروض من جهات خاصة	١٢٠,٠٠٠	–
صافي النقد المستخدم في الانشطة التمويلية	١٢٠,٠٠٠	–
التغير في النقد ومافي حكمه	٤٦٦,٢٧٨	(٤٧٢,٩٩٧)
النقد ومافي حكمه في ١ يناير ٢٠١٨	١٨٨,٣٤٧	٦٦١,٣٤٤
تعديلات الانتقال بعد تطبيق المعيار الدولي لاعداد التقارير المالية رقم ٩	(٦,١٦٢)	–
النقد ومافي حكمه في ٣١ ديسمبر ٢٠١٨	٦٤٨,٤٦٣	١٨٨,٣٤٧

بيان التغيرات في حقوق الملاك
للسنة المنتهية بتاريخ ٣١ ديسمبر ٢٠١٨

	حصة رأس المال دينار بحريني	الاحتياطي العام دينار بحريني	مقدم لزيادة رأس المال دينار بحريني	الخسائر المتركمة دينار بحريني	الاجمالي دينار بحريني
الرصيد في ١ يناير ٢٠١٧	١,٨٨٥,٠٠٠	–	٣٢٤,٧٢٠	(١,٠٧٨,٩٧٧)	١,١٣٠,٧٤٣
زيادة رأس المال	٣٢٤,٧٢٠	–	(٣٢٤,٧٢٠)	–	–
صافي ربح (خسارة) السنة	–	–	–	٩٤,٠٠٢	٩٤,٠٠٢
الرصيد في ٣١ كانون الاول ٢٠١٧	٢,٢٠٩,٧٢٠	–	–	(٩٨٤,٩٧٥)	١,٢٢٤,٧٤٥
تعديلات الانتقال بعد تطبيق المعيار الدولي لاعداد التقارير المالية رقم ٩	–	–	–	(٦,١٦٢)	(٦,١٦٢)
الارصدة المعاد بيانها كما في ١ يناير ٢٠١٨	٢,٢٠٩,٧٢٠	–	–	(٩٩١,١٣٧)	١,٢١٨,٥٨٣
صافي ربح (خسارة) السنة	–	–	–	٣٠٦,٨٨٦	٣٠٦,٨٨٦
تحويل الى الاحتياطي العام	–	٣٠,٤٥٠	–	(٣٠,٤٥٠)	–
الرصيد في ٣١ كانون الاول ٢٠١٨	**٢,٢٠٩,٧٢٠**	**٣٠,٤٥٠**	**–**	**(٧١٤,٧٠١)**	**١,٥٢٥,٤٦٩**

تم استخراج هذه القوائم من البيانات المالية المدققة والذي ابدى السادة ارنست أند يونغ رأي غير متحفظ عليها بتاريخ ٢٥ مارس ٢٠١٩ .

تم اعتماد البيانات المالية وفقاً لقرار مجلس الإدارة الصادر بتاريخ ٢٥ مارس ٢٠١٩.

خالد وليد الغزاوي
الرئيس التنفيذي

منى يوسف خليل المؤيد
رئيسة مجلس الإدارة

البحرين ٢٠٣٠
BAHRAIN

* للحصول على كافة تفاصيل البيانات المالية يرجى زيارة موقعنا الالكتروني **www.ebdaabank.com**

Al Ebdaa Bank for Microfinance B.S.C. (c)

CHAIRWOMAN'S STATEMENT, INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

بنك الإبداع
للتمويل متناهي الصغر
Ebdaa Microfinance Bank

Chairwoman's Statement

On behalf of the founding shareholders and the Board of Directors of Al Ebdaa Bank for Microfinance B.S.C. (c), I am pleased to present the annual report and audited financial statements for the year ended 31 December 2018.

While we were thrilled to approach the end of 2018 to report on our excellent performance this year, we were deeply saddened with the demise of HRH Prince Talal Bin Abdelaziz Al Saud, the President of the Arab Gulf Program for Development (AGFUND) and the visionary behind the creation and success of the Financial Inclusion Banks that are currently operational in (9) Arab and African Countries. HRH contributions to Humanity, women empowerment, education, and poverty alleviation will never be forgotten. May his soul rest in peace.

On a more positive side, it gives me a great pleasure to announce that Ebdaa Bank has continued its path towards success for the second year in a raw and managed to increase its profitability by 227% to reach BD 306,886 (2017: BD 94,002). This is the bank's best recorded result since its inception in 2009.

For the financial year ended 31 December 2018, the Bank has recorded a 34.4% increase in its loan portfolio income to BD 885,691 (2017: BD 658,966). This has heavily contributed to increase the total income to BD 994,155 (2016: BD 714,409).

In 2018, the Bank continued to focus on both volume and quality of its portfolio. This resulted in a significant increase in its net loan portfolio by 31% to reach BD 2,088,350 (2017: BD 1,600,064). In line with this huge growth in the portfolio size, the bank has successfully managed to maintain the portfolio quality at its best and recovered BD 63,949 from the loans that were listed at risk (2017 incurred BD 964).

Despite the challenging economic environment, the Board of Directors is committed to support the management leadership of the team in addressing the current and potential challenges the bank is or might face. With further support from the shareholders and other stakeholders of the Bank, the Board of Directors is confident that the Bank will be able to progress to a stronger position to fulfill its objectives. The recent updates to Volume (5) of the Central Bank's regulations which reduced the minimum paid up capital requirements to BD 2 million (Ex: BD 5 million) and increasing the maximum loan size to BD 7,000 (Ex: BD 5,000) will have a positive impact on Ebdaa's performance as well as the whole microfinance industry in Bahrain.

Ebdaa bank envisions Inclusive Financial Services for the whole population of the Kingdom of Bahrain. The purpose of the bank is "to contribute to the improvement of standard of (economic and social) living conditions of the low/limited income households of the Kingdom of Bahrain, through the direct and indirect provisioning of exemplary, diversified and sustainable financial services".

Ebdaa Bank's five years strategic plan (2019 – 2023) includes further expansion within the Kingdom of Bahrain by adding three more branches namely in Saar, Muharraq, and Sitra. The rationale behind this objective is to increase the bank's outreach to the largest number of limited-income clients, to ensure accessibility of financial services to people by becoming closer to them, and to better position the bank in the market. The (5) years strategic plan also envisions to serve over 10,000 new and repeated microentrepreneurs with loans exceeding BD 10 million.

While opportunities exist and the market still requires lots of financing to microentrepreneurs who are working to improve their lives and increase their overall families' income, the application of the V.A.T. on all bank fees and charges will be a new challenge added to the already challenging environment. The concern we have as shareholders is that our clients will pay the tax twice: once when they borrow, and the other when they use the loan to buy raw materials and/or finished products from the market. The management is currently analysing these possible impacts and will suggest certain modifications to its products and services to tailor for the implementation of VAT.

Ebdaa Bank for Microfinance is the first financial institution of its kind in the Gulf region. The bank is the result of a fruitful partnership between the Arab Gulf Program for Development (AGFUND), three Socially-Responsible Bahraini Business leaders, and the Bahraini Government, represented by the Housing Bank and the Bahrain Development Bank. The bank is registered as a traditional microfinance institution and operates under the regulations of Volume (5) of the regulations of the Central Bank of Bahrain.

On behalf of the founding shareholders and the Board of Directors, I would like to convey our utmost gratitude to the wise leadership of the Kingdom of Bahrain, Tamkeen, other government agencies, and stakeholders, for their invaluable assistance and guidance. I would like to convey a special thank you note to the Governor and the whole team of the Central Bank of Bahrain for their continuous support and understanding. The recent updates to volume (5) of the CBB regulations, as previously mentioned, were long waited for and will positively reflect on the growth of the microfinance industry in Bahrain. I would also like to record our appreciation to the customers of the Bank for their vital support, to the members of Sharia Supervisory Board for their counsel and supervision. I also need to specifically thank AGFUND for the application of their Microfinance Model which we adopted in Ebdaa and as a result, we witnessed this remarkable growth.

Finally, all of this could have not been achieved without the dedication, hard work, and loyalty of the Ebdaa team. I would like to thank the top management for their leadership and mentoring of the staff which groomed everyone to become real microfinance practitioners and experts.

Mona Yousif Khalil Almoayyed
Chairwomen of the Board of Directors

EY
Building a better working world

Ernst & Young Middle East
P.O. Box 140
10th Floor, East Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EBDAA BANK FOR MICROFINANCE B.S.C. (c)

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Al Ebdaa Bank for Microfinance B.S.C. (c) (the "Bank") which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Bank's 2018 financial statements
Other information consists of the information included in the Chairwoman's Statement, set out on page 1 and 2 other than the financial statements and our auditor's report thereon. The Bank's Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the financial statements
Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Building a better
working world

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL EBDAA BANK FOR MICROFINANCE B.S.C. (c) (continued)**

Report on the Audit of the Financial Statements (continued)

Responsibilities of Board of Directors for the financial statements (continued)
In preparing the financial statements, Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

EY
Building a better
working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EBDAA BANK FOR MICROFINANCE B.S.C. (c) (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Bank's Board of Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and Volume 5 of the Central Bank of Bahrain ("the CBB") Rule Book, we report that:

a) the Bank has maintained proper accounting records and the financial statements are in agreement therewith;

b) the financial information contained in the Chairwoman's Statement is consistent with the financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5) and the CBB directives or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2018 that might have had a material adverse effect on the business of the Bank or on its financial position; and

d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

Ernst + Young

Auditor's Registration No. 212
25 March 2019
Manama, Kingdom of Bahrain

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 BD	2017 BD
ASSETS			
Cash and cash equivalents	6	**648,463**	188,347
Deposit with bank	7	**98,354**	500,000
Loans and advances to customers	8	**2,088,350**	1,600,064
Other assets	9	**99,571**	97,221
Equipment	10	**119,995**	68,332
TOTAL ASSETS		**3,054,733**	2,453,964
LIABILITIES AND EQUITY			
Liabilities			
Non-bank borrowing	11	**1,120,000**	1,000,000
Deferred income	12	**210,375**	130,429
Provision for employees' end of service benefits		**19,818**	11,367
Other liabilities	13	**179,071**	87,423
Total liabilities		**1,529,264**	1,229,219
Equity			
Share capital	14	**2,209,720**	2,209,720
General reserve	15	**30,450**	-
Accumulated losses		**(714,701)**	(984,975)
Total equity		**1,525,469**	1,224,745
TOTAL LIABILITIES AND EQUITY		**3,054,733**	2,453,964

Mona Yousif Al Moayyed	Abdulhameed Dawani	Khaled Walid Al-Gazawi
Chairwoman	Board member	Chief Executive Officer

The attached explanatory notes 1 to 28 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	***2018 BD***	*2017 BD*
Interest income		**334,719**	272,766
Interest expense		**(5,000)**	(5,000)
Net interest income		**329,719**	267,766
Fee income	17	**550,972**	386,200
Other income	20	**113,464**	60,443
Total income		**994,155**	714,409
Staff costs	18	**524,228**	410,599
Depreciation	10	**38,006**	17,413
(Recoveries of provision) provision for expected credit losses	21	**(63,949)**	964
Other expenses	19	**188,984**	191,431
Total expenses		**687,269**	620,407
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**306,886**	94,002

~~Mona~~ Yousif Al Moayyed
Chairwoman

Abdulhameed Dawani
Board member

Khaled Walid Al-Gazawi
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital BD	General reserve BD	Advance towards share capital BD	Accumulated losses BD	Total BD
Balance at 1 January 2017		1,885,000	-	324,720	(1,078,977)	1,130,743
Transfer to share capital	16	324,720	-	(324,720)	-	-
Total comprehensive income for the year		-	-	-	94,002	94,002
Balance at 31 December 2017		2,209,720	-	-	(984,975)	1,224,745
Transition adjustment on adoption of IFRS 9	4.1	-	-	-	(6,162)	(6,162)
Restated balances at 1 January 2018		2,209,720	-	-	(991,137)	1,218,583
Total comprehensive income for the year		-	-	-	306,886	306,886
Transfer to general reserve	15	-	30,450	-	(30,450)	-
Balance at 31 December 2018		**2,209,720**	**30,450**	**-**	**(714,701)**	**1,525,469**

The attached explanatory notes 1 to 28 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 BD	2017 BD
OPERATING ACTIVITIES			
Net profit for the year		**306,886**	94,002
Adjustments for non-cash items:			
Depreciation	10	**38,006**	17,413
(Recoveries of provision) provision for expected credit losses	21	**(63,949)**	964
Provision for employees' end of service benefits		**8,451**	3,705
Gain on sale of vehicle		**(749)**	-
Operating profit before changes in operating assets and liabilities		**288,645**	116,084
Changes in operating assets and liabilities:			
Deposit with bank		**401,646**	(100,000)
Loans and advances to customers		**(424,337)**	(599,764)
Other assets		**(2,350)**	49,727
Deferred income		**79,946**	66,116
Other liabilities		**91,648**	14,715
End of service benefits paid		**-**	(145)
Net cash flows from (used in) operating activities		**435,198**	(453,267)
INVESTING ACTIVITIES			
Purchase of equipment	10	**(89,851)**	(19,730)
Proceeds from sale of vehicle		**931**	-
Net cash flows used in investing activities		**(88,920)**	(19,730)
FINANCING ACTIVITY			
Non-bank borrowing	11	**120,000**	-
Net cash flows from financing activity		**120,000**	-
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**466,278**	(472,997)
Cash and cash equivalents at 1 January		**188,347**	661,344
Transition adjustment on adoption of IFRS 9	4.1	**(6,162)**	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	**648,463**	188,347

The attached explanatory notes 1 to 28 form part of these financial statements.

1 INCORPORATION AND ACTIVITIES

Incorporation
Al Ebdaa Bank for Microfinance B.S.C. (c) (the "Bank") was incorporated in the Kingdom of Bahrain as a closed shareholding company under commercial registration (CR) number 72533 dated 12 August 2009 issued by the Ministry of Industry, Commerce and Tourism. The Bank is operating through the Head office and two other branches in Hamad Town and Riyadat Mall within the Kigndom of Bahrain. The Bank is licensed as a microfinance institution by the Central Bank of Bahrain ("CBB") and accordingly is subject to the regulations and supervision of the CBB. The Bank is operating through its registered head office at Unisono Building, P.O. Box 18648, Sanabis, Kingdom of Bahrain and two other branches in Hamad Town and Riyadat Mall.

Activities
The principal activities of the Bank are the provision of microfinance loans and related advisory services. The Bank is permitted to conduct its activities in compliance with both conventional banking rules for its conventional banking activities and in compliance with Islamic Shari'a rules for its Islamic banking activities.

The financial statements of the Bank for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors dated 25 March 2019.

2 BASIS OF PREPARATION

2.1 Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law ("BCCL") the CBB and Financial Institutions Law, the CBB Rule Book (Volume 5) and the relevant CBB directives, except that the Bank did not maintain the minimum share capital of BD 5 million as required by AU-2.5.2 of the CBB Rule Book as at 31 December 2018. Subsequent to 31 December 2018 the CBB reduced the minimum capital requirement applicable to Volume 5 - Specialised Licensees to BD 2 million. The Bank is now in compliance with these minimum capital requirements.

2.2 Accounting convention
The financial statements have been prepared on a historical cost basis and are presented in Bahrain Dinars (BD) which is the Bank's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Bank's accounting policies, management has made estimates and judgements in determining the amounts recognised in the financial statements.

The most significant use of judgements and estimates are as follows:

Going concern
The Bank's directors have made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt about the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Impairment provision on financial instruments
Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category and subject to specific impairment provision).

Useful lives of equipment
The Bank's management determines the useful lives of tangible assets and the related depreciation charge. The depreciation charge for the year could change significantly if the actual life is different from the estimated useful life of the asset.

4 CHANGES IN ACCOUNTING POLICIES

4.1 New and amended standards and interpretations effective as of 1 January 2018

The Bank applied for the first time certain standards, which are effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each new standard is described below:

IFRS 9 - Financial Instruments

IFRS 9 replaces *IAS 39 Financial Instruments: recognition and measurement* (IAS 39) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Bank has applied IFRS 9 with the initial application date of 1 January 2018.

Under IFRS 9, the classification and measurement category of all financial assets, except equity instruments and derivatives, is assessed based on a combination of the entity's business model for managing the financial assets and its contractual cash flow characteristics.

IFRS 9 impairment requirements are based on expected credit loss (ECL) model as compared to the incurred loss model approach under IAS 39. Under IFRS 9, the Bank applies a three-stage approach to measuring ECL on all loans and debt type financial assets (including loan commitments and financial guarantee contracts) accounted for at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in the credit quality since initial recognition:

- Stage 1: 12 months ECL
- Stage 2: Lifetime ECL - not credit impaired
- Stage 3: Lifetime ECL - credit impaired

Classification and measurement

Before 1 January 2018, the Bank classified its financial assets as loans and advances (amortised cost), as explained in the annual financial statements for the year ended 31 December 2017.

Transition disclosures of IFRS 9

The impact of this change in accounting policy as at 1st January 2018 has resulted in a decrease in 'Accumulated losses' by BD 6,162 as follows:

	Accumulated losses BD
Closing balance under IAS 39 (31 December 2017)	**(984,975)**
Impact of recognition of (ECL)	
Cash and cash equivalents	**(139)**
Deposit with bank	**(1,287)**
Loans and advances to customers	**(4,736)**
	(6,162)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**(991,137)**

Additional disclosures, as required by IFRS 7, reflecting the revised impairment model for financial assets of the Bank as a result of adopting IFRS 9, are disclosed in relevant notes to the financial statements.

4 CHANGES IN ACCOUNTING POLICIES (continued)

4.1 New and amended standards and interpretations effective as of 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers
The Bank adopted IFRS 15 resulting in a change in the revenue recognition policy of the Bank in relation to its contracts with customers. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several standards and interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers.

The Bank has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application also requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at 1 January 2018 in equity. IFRS 15 had no impact on the Bank's revenue recognition.

4.2 New standards, interpretations and amendments issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing is of relevant standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards (where applicable) when they become effective:

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces *IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives* and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The application of IFRS 16 will mainly impact the accounting for leased premises from which the Bank operates.

Transition impact assessment disclosures of IFRS 16
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Based on initial assessment, the Bank expects to recognise right-of-use assets and lease liabilities of approximately BD 146 thousand on 1 January 2019. Based on initial assessment, the Bank expects the impact on the statement of comprehensive income to be insignificant for the year ending 2019.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Bank and are consistent with those of the previous year.

(a) Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment. When significant parts of equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciation, respectively. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture	10 years
Computer and equipments	4 to 10 years
Software	4 years
Vehicle	7 years
Office improvements	10 years

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

(b) Financial instruments - initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets and financial liabilities carried on the statement of financial position mainly include cash and bank balances, deposit with bank, loans and advances and interest and other receivables. Financial liabilities include non-bank borrowing and interest payables.

(i) Initial recognition and measurement of financial instruments

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(1) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current account balances with locally incorporated banks.

(2) Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these are subsequently measured at amortised cost using the effective interest rate method, less impairment charge for credit losses and any amounts written off. The losses arising from impairment are recognised in the statement of comprehensive income under 'provision for credit losses'. Any subsequent recoveries are recognised in the statement of comprehensive income as 'recoveries of provision for credit losses'.

(3) Deposits with banks

These are stated at amortised cost, net of provision for credit losses and amounts written off, if any.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Derecognition of financial assets and financial liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(d) Impairment of financial assets

Impairment
The Bank assesses on a forward-looking basis, the ECL associated with its debt instruments carried at amortised cost and against the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises an ECL for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement of the expected credit loss allowance (ECL)
The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances, as described below:

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PD, exposure at default (EAD) and loss given default (LGD); and
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Loans and advances together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to recoveries of credit losses in the other income.

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

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of financial assets (continued)

Measurement of the expected credit loss allowance (ECL) (continued)
These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

Definition of default
The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days or any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

Probability of default (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 analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Bank employs statistical models for analysing the data collected and generate estimates of 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 changes in key macro-economic factors, across various geographies in which the Bank has taken exposures. For most exposures, the key macro-economic indicators include gross domestic product (GDP) growth, inflation, real interest rates, unemployment, domestic credit growth, oil prices, central government revenue as a percentage to GDP and central government expenditure as a percentage to GDP.

Incorporation of forward - looking information
The Bank employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

Loss Given Default (LGD)
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, based on historical data using both internal and external factors. The LGD is estimated using below factors:

Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value.

Exposure At Default (EAD)
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 amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD is converted to statement of financial position equivalents.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of financial assets (continued)

Significant Increase in Credit Risk (SICR)
When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary on a portfolio level and include quantitative and qualitative factors, including days past due and risk rating.

Restructured loans and advances
Where possible, the Bank seeks to restructure loans and advances rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate before the modification of terms of the financing contract and is no longer considered past due. Management continuously reviews renegotiated financing contracts to ensure that all criteria are met and that future payments are likely to occur. Financing contracts continue to be subject to an individual or collective impairment assessment, calculated using the original effective interest rate.

(e) Write-offs
The Bank's accounting policy for write offs under IFRS 9 remains the same as it was under IAS 39. 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 credit loss expense.

(f) Deposits with banks
Deposits with banks mainly comprise of inter-bank deposits, which have a maturity of more than 90 days and are stated at their amortised cost less impairment.

(g) Impairment of non-financial assets
The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment losses are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

(h) Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset and reported on a net basis in the statement of financial position when a legally enforceable right to set-off such amounts exists and when the Bank intends to settle on a net benefits basis or to realise the assets and settle the liabilities simultaneously.

(i) Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and are, accordingly, not included in the statement of financial position.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

Interest income
For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

Fee income

i. Administration fees
Administration fees earned in connection with granting of loans are recognised over the tenor of the loan.

ii. Processing fees
Processing fees in respect of the loans granted are recognised as fee income on completion of loan processing.

iii. Penalty fees
Penalty fees are earned on overdue loans ranging between BD 1 to BD 5 on each overdue day. These fees are recognized only upon receipt when earned, normaly signified by actual reciept.

Deferred income
Administration fees are deferred over the loan tenor and recognised in the statement of comprehensive income over the period till loan maturity. The unrecognised fee is disclosed as a liability under deferred income.

Interest expense
Interest expense is recognised using the effective yield method.

(k) Provision
Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(l) Provision for employees' end of service benefits
The Bank makes contributions to the Social Insurance Organisation, for its national employees, calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due.

The Bank also provides end of service benefits to its expatriate employees in accordance with the Labour Law of the Kingdom of Bahrain. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

(m) Share capital
Ordinary shares issued by the Bank are classified as equity. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires that 10% of the annual profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50% of the paid up share capital. During the year, no transfer to statutory reserve has been made (2017: nil) as the Bank continues to have accumulated losses as of 31 December 2018.

(o) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Bank as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Bank is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

(p) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into Bahraini Dinars at functional currency rates of exchange prevailing at the reporting date. Any gains or losses are recognised in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(q) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

6 CASH AND CASH EQUIVALENTS

	2018	*2017*
	BD	*BD*
Cash on hand	**-**	5,430
Balances with banks	**649,376**	182,917
Less: Provision for credit losses	**(913)**	-
	648,463	188,347

As of 31 December 2018 and 1 January 2018, the balances with banks are classified under stage 1 of the ECL model. The opening ECL adjustment in respect of balances with banks on 1 January 2018 was BD 139 (refer to note 4.1).

7 DEPOSIT WITH BANK

Deposit with bank represents a medium-term interest bearing deposit with an investment grade bank incorporated in the Kingdom of Bahrain carrying a fixed rate of 3.95% per annum (2017: 3 deposits ranging between 3.80% to 3.95% per annum) with a maturity of 29 October 2019. Interest income earned during the year amounted to BD 8,230 (2017: BD 15,009).

	2018 ***BD '000***	*2017* *BD '000*
Deposits with Bank	**100,000**	500,000
Less: Provision for credit losses	**(1,646)**	-
	98,354	500,000

Deposits with bank is classified under stage 1 of the ECL model as of 1 January 2018 and 31 December 2018. The opening ECL adjustment in respect of deposits with banks to accumulated losses on 1 January 2018 was BD 1,287 (refer to note 4.1).

8 LOANS AND ADVANCES TO CUSTOMERS

	2018 ***BD***	*2017* *BD*
Gross loans and advances	**2,284,942**	1,882,682
Less: Provision for credit losses	**(196,592)**	(282,618)
	2,088,350	1,600,064

Movement in the provision for credit losses is as follows:

	2018 ***BD***	*2017* *BD*
At 1 January	**282,618**	281,654
Transition adjustment upon adoption of IFRS 9	**4,736**	-
	287,354	281,654
Charge for the year	**75,325**	135,654
Recoveries	**(140,407)**	(134,690)
Amounts written off during the year	**(25,680)**	-
At 31 December	**196,592**	282,618

The table below shows the credit quality based on the Bank's credit rating system:

	31 December 2018				*31 December 2017*
	Stage 1: 12-month ECL BD	***Stage 2: Lifetime ECL not credit-impaired BD***	***Stage 3: Lifetime ECL credit-impaired BD***	***Total BD***	*Total BD*
Loans and advances	**2,065,531**	**60,677**	**158,734**	**2,284,942**	1,882,682
Less: Provision for credit losses	**(13,023)**	**(33,103)**	**(150,466)**	**(196,592)**	(282,618)
Carrying amount	**2,052,508**	**27,574**	**8,268**	**2,088,350**	1,600,064

During the year, the Bank has rescheduled 3 loans of BD 12,847 (2017: nil). Also, during the year the Bank has also recovered BD 1,165 against loans previously written off (2017: 5,694).

9 OTHER ASSETS

	2018	*2017*
	BD	*BD*
Prepayments	**34,468**	21,690
Interest receivable	**19,398**	38,907
Receivable from Tamkeen programs	**19,328**	12,383
Other receivables	**26,377**	24,241
	99,571	97,221

10 EQUIPMENT

	Furniture	*Computer and equi-pment*	*Software*	*Vehicle*	*Office improve-ments*	*2018 Total*	*2017 Total*
	BD	*BD*	*BD*	*BD*	*BD*	*BD*	*BD*
Cost							
At 1 January	26,450	64,537	75,822	20,431	25,863	**213,103**	193,373
Additions	4,399	31,180	8,327	36,059	9,886	**89,851**	19,730
Disposal	-	-	-	(3,200)	-	**(3,200)**	-
At 31 December	**30,849**	**95,717**	**84,149**	**53,290**	**35,749**	**299,754**	213,103
Depreciation							
At 1 January	14,494	59,134	52,530	13,096	5,517	**144,771**	127,358
Charge for the year	4,946	12,242	6,117	8,707	5,994	**38,006**	17,413
Disposal	-	-	-	(3,018)	-	**(3,018)**	-
At 31 December	**19,440**	**71,376**	**58,647**	**18,785**	**11,511**	**179,759**	144,771
Net book value							
2018	**11,409**	**24,341**	**25,502**	**34,505**	**24,238**	**119,995**	68,332
2017	11,956	5,403	23,292	7,335	20,346	68,332	66,015

11 NON-BANK BORROWING

Non-bank borrowing represents an interest bearing loan from the Supreme Council of Women amounting to BD 1 million carrying a fixed rate of 0.5% per annum (2017: 0.5%) renewable on an annual basis.

During 2018, additional non-bank borrowing obtained by the Bank from Fawaz Al Gosaibi Holding W.L.L. and Ms. Mayan Jaafar of BD 100,000 and BD 20,000, respectively. These borrowings are non-interest bearing and are repayable after one year from the lenders' repayment request. These were provided to the Bank as an initiative to assist micro and small businesses in the Kingdom of Bahrain.

12 DEFERRED INCOME

	2018	*2017*
	BD	*BD*
Administration fees	**197,963**	129,017
Other	**12,412**	1,412
	210,375	130,429

12 DEFERRED INCOME (continued)

Movements in the fees received during the year in advance is as follows:

	2018	*2017*
	BD	*BD*
As at beginning of the year	**130,429**	64,313
Amounts received during the year	**171,701**	107,212
Recognised in the statement of income	**(91,755)**	(41,096)
	210,375	130,429

Administration fees are collected upfront upon disbursing of the loan facility and are deferred over the loan tenor.

13 OTHER LIABILITIES

	2018	*2017*
	BD	*BD*
Interest payable	**42,642**	37,642
Accrued expenses	**23,030**	13,606
Employee related accruals	**46,559**	7,072
Other liabilities	**66,840**	29,103
	179,071	87,423

14 SHARE CAPITAL

	2018	*2017*
	BD	*BD*
Authorised, issued and fully paid up capital		
5,861,326 (2017: 5,861,326) shares of BD 0.377 each	**2,209,720**	2,209,720

The Bank has only one class of equity shares and the holders of these shares have equal voting rights.

15 GENERAL RESERVE

The general reserve is a voluntary reserve created in accordance with the provisions of the Bank's articles of association. During the year, the Board of Directors proposed a transfer of BD 30,450 (2017: nil) to the general reserve. The reserve is not available for distribution until approved by the Bank's shareholders.

16 ADVANCE TOWARDS SHARE CAPITAL

On 19 January 2017 the Bank has obtained the approvals from the Ministry of Industry, Commerce and Tourism to amend the Bank's memorandum and articles of association to transfer the advance towards share capital balance to the share capital.

17 FEE INCOME

	2018 BD	2017 BD
Processing fees	**456,300**	322,793
Penalty fees	**68,110**	28,261
Application and other fees	**26,562**	35,146
	550,972	386,200

18 STAFF COSTS

	2018 BD	2017 BD
Salaries and allowances	**401,553**	330,415
Social insurance expenses	**45,945**	35,605
Bonus accrual for the year	**33,000**	-
Other benefits	**43,730**	44,579
	524,228	410,599

19 OTHER EXPENSES

	2018 BD	2017 BD
Rent, utilities and maintenance	**49,884**	52,868
Professional fees	**41,830**	55,734
Travel expenses	**21,582**	20,651
Marketing expenses	**12,018**	8,584
Communication expenses	**10,898**	14,603
Other expenses	**52,772**	38,991
	188,984	191,431

20 OTHER INCOME

	2018 BD	2017 BD
Income from Tamkeen support programs	**71,361**	30,155
Training income	**10,996**	4,930
Income from deposit with bank	**8,230**	15,009
Recoveries from loans written off	**1,165**	5,694
Gain on sale of vehicle	**749**	-
Other income	**20,963**	4,655
	113,464	60,443

21 REVERSAL OF PROVISION FOR IMPAIRMENT OF CREDIT LOSSES - NET

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of credit losses allowances.

	31 December 2018			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	BD	***BD***	***BD***	***BD***
Balances with banks	**649,376**	**-**	**-**	**649,376**
Deposit with bank	**100,000**	**-**	**-**	**100,000**
Loans and advances to customers	**2,065,531**	**60,677**	**158,734**	**2,284,942**
	2,814,907	**60,677**	**158,734**	**3,034,318**

	1 January 2018			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	BD	*BD*	*BD*	*BD*
Balances with banks	182,917	-	-	182,917
Deposit with bank	500,000	-	-	500,000
Loans and advances to customers	1,573,906	44,498	264,278	1,882,682
	2,256,823	44,498	264,278	2,565,599

An analysis of the changes in ECL allowances, is as follows:

	Stage 1: 12-month ECL BD	***Stage 2: Lifetime ECL not credit-impaired BD***	***Stage 3: Lifetime ECL credit-impaired BD***	***Total BD***
Restated balance at 1 January on adoption of IFRS 9				
Balances with banks	139	-	-	139
Deposit with bank	1,287	-	-	1,287
Loans and advances to customers	10,719	17,568	259,067	287,354
	12,145	17,568	259,067	288,780
(Reversal) / charge during the year - net				
Balances with banks	774	-	-	774
Deposit with bank	359	-	-	359
Loans and advances to customers	2,304	15,535	(82,921)	(65,082)
	3,437	15,535	(82,921)	(63,949)
Write off during the year				
Loans and advances to customers	-	-	(25,680)	(25,680)
Balance at 31 December 2018				
Balances with banks	913	-	-	913
Deposit with bank	1,646	-	-	1,646
Loans and advances to customers	13,023	33,103	150,466	196,592
As at 31 December 2018	**15,582**	**33,103**	**150,466**	**199,151**

21 REVERSAL OF PROVISION FOR IMPAIRMENT OF CREDIT LOSSES - NET (continued)

The movement in ECL on assets subject to ECL is as follows:

	2018			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total ECL*
	BD	*BD*	*BD*	*BD*
Balance at 1 January - on adoption of IFRS 9	**12,145**	**17,568**	**259,067**	**288,780**
Changes due to financial assets recognised in opening balance that have:				
Transfer to 12 month ECL	**-**	**1,767**	**(1,767)**	**-**
Transfer to lifetime ECL not credit impaired	**(10,160)**	**10,160**	**-**	**-**
Transfer to lifetime ECL credit impaired	**(43,727)**	**(1,690)**	**45,417**	**-**
Net remeasurement of loss allowance	**61,949**	**15,049**	**(540)**	**76,458**
Recoveries / write-backs	**(4,625)**	**(9,751)**	**(126,031)**	**(140,407)**
Amounts written off during the year	**-**	**-**	**(25,680)**	**(25,680)**
Balance at end of year	**15,582**	**33,103**	**150,466**	**199,151**

22 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Bank and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Bank's management.

Amounts outstanding as of the statement of financial position date in respect of transactions entered into with related parties were as follows:

	2018	*2017*
	BD	*BD*
Bank balances held with a shareholder	**4,316**	4,095
Other liabilities	**3,375**	7,994

The income and expense in respect of related parties included in the statement of comprehensive income are as follows:

	2018	*2017*
	BD	*BD*
Rent expenses	**7,392**	7,392

Compensation of the key management personnel is as follows:

	2018	*2017*
	BD	*BD*
Salaries and short term employee benefits	**72,000**	72,000
Provision for employees' end of service benefits	**14,811**	8,650
	86,811	80,650

No remuneration was paid to directors during the year (2017: nil).

23 ASSETS UNDER MANAGEMENT

The Bank provides administration services on loans provided on behalf of other entities, these assets are managed in a fiduciary capacity where the Bank has no entitlement to these assets and are subject to normal administration fee arrangements. Accordingly, these assets are not included in the Bank's statement of financial position. At the statement of financial position date, the Bank had no assets under management (2017: nil). During the year, for managing the projects, the Bank has charged management fees amounted BD nil (2017: BD 8,040).

24 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Bank as lessee

The operating lease relates to the rent of the Bank's main office and the branches' premises for a period ranging from 2 to 5 years. The Bank does not have the option to purchase the leased property at the end of the lease period. The lease term for the main office expires on 30 September 2019, Hamad Town branch lease expires on 31 December 2020, Riyadat Mall branch lease expires on 30 January 2019 and Delmon Gate Sar branch lease expires on 30 November 2023.

Operating lease payments recognised as an expense

	2018	*2017*
	BD	*BD*
Operating lease payments	**148,491**	35,640

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2018	*2017*
	BD	*BD*
Within one year	**42,000**	28,578
More than one year	**106,491**	10,092
	148,491	38,670

25 RISK MANAGEMENT

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Bank's continuing profitability. The Bank is exposed to market risk (which includes currency risk and interest rate risk), credit risk and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument or lease agreement will fail to discharge a financial obligation and cause the other party to incur a financial loss.

The Bank is not exposed to any significant concentration of credit risk arising from exposures to a single debtor or debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The geographic distribution of predominantly all assets and liabilities of the Bank is in the Kingdom of Bahrain. The assets and liabilities of the Bank are not concentrated in any particular industry sector.

25 RISK MANAGEMENT (continued)

a) Credit risk (continued)

There is no significant concentration of credit risk at the reporting date. The credit risk on liquid funds is limited because the counterparties are banks with good financial standing. The Bank's maximum exposure to credit risk is as follows:

	2018	*2017*
	BD	*BD*
Bank balances	**649,376**	182,917
Deposit with bank	**100,000**	500,000
Loans and advances to customers	**2,284,942**	1,600,064
Interest receivable	**19,398**	55,312
Receivable from Tamkeen programs	**19,328**	-
	3,073,044	2,338,293

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise interest rate risk and currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As the Bank's financial assets and financial liabilities are denominated in Bahraini Dinars, the management does not perceive the Bank to be exposed to significant currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rates on Bank's term deposits and non-bank borrowings are fixed. Hence the Bank is not exposed to interest rate risk.

c) Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Bank could be required to pay its liabilities earlier than expected.

Management monitors the liquidity requirements on a monthly basis and ensures that sufficient funds are available to meet the Bank's future commitments.

25 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2018 and 31 December 2017 based on contractual undiscounted payment obligation:

	31 December 2018			
	1-3 months BD	*3 months to 1 year BD*	*More than 1 year BD*	*Total BD*
Liabilities and commitments				
Non-bank borrowing	**-**	**1,125,000**	**-**	**1,125,000**
Other liabilities	**-**	**179,071**	**-**	**179,071**
Commitments	**10,500**	**31,500**	**106,491**	**148,491**
	10,500	**1,335,571**	**106,491**	**1,452,562**

	31 December 2017			
	1-3 months BD	*3 months to 1 year BD*	*More than 1 year BD*	*Total BD*
Liabilities and commitments				
Non-bank borrowing	-	1,005,000	-	1,005,000
Other liabilities	-	87,423	-	87,423
Commitments	8,910	19,668	10,092	38,670
	8,910	1,112,091	10,092	1,131,093

The table below summarises the expected maturity profile of the Bank's assets and liabilities as at 31 December 2018 and 31 December 2017:

	31 December 2018					
	Up to 3 months BD	*3 months to 1 year BD*	*Total up to 1 year BD*	*1 to 5 years BD*	*No specific maturity BD*	*Total BD*
ASSETS						
Cash and cash equivalents	**648,463**	**-**	**648,463**	-	-	**648,463**
Deposit with bank	**-**	**98,354**	**98,354**	-	-	**98,354**
Loans and advances to customers	**33,937**	**531,646**	**565,583**	**1,522,767**	**-**	**2,088,350**
Other assets	**-**	**99,571**	**99,571**	**-**	**-**	**99,571**
Equipment	-	**-**	**-**	**-**	**119,995**	**119,995**
	682,400	**729,571**	**1,411,971**	**1,522,767**	**119,995**	**3,054,733**
LIABILITIES						
Provision for employees' end of service benefits	**-**	**19,818**	**19,818**		**-**	**19,818**
Non-bank borrowing	**-**	**1,120,000**	**1,120,000**	**-**	**-**	**1,120,000**
Other liabilities	**-**	**66,840**	**66,840**	**-**	**-**	**66,840**
	-	**1,206,658**	**1,206,658**	**-**	**-**	**1,206,658.00**
Net liquidity gap	**682,400**	**(477,087)**	**205,313**	**1,522,767**	**119,995**	**1,848,075**

25 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

	31 December 2017					
	Up to 3 months BD	*3 months to 1 year BD*	*Total up to to 1 year BD*	*1 to 5 years BD*	*No specific maturity BD*	*Total BD*
ASSETS						
Cash and cash equivalents	182,917	-	182,917	-	5,430	188,347
Deposit with bank	-	500,000	500,000	-	-	500,000
Loans and advances to customers	35,796	526,842	562,638	1,037,426	-	1,600,064
Other assets	-	97,221	97,221	-	-	97,221
Equipment	-	-	-	-	68,332	68,332
	218,713	1,124,063	1,342,776	1,037,426	73,762	2,453,964
LIABILITIES						
Provision for employees' end of service benefits	-	-	-	11,367	-	11,367
Non-bank borrowing	-	1,000,000	1,000,000	-	-	1,000,000
Other liabilities	-	87,423	87,423	-	-	87,423
	-	1,087,423	1,087,423	11,367	-	1,098,790
Net liquidity gap	218,713	36,640	255,353	1,026,059	73,762	1,355,174

d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Bank has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Bank's management employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

e) Categories of financial instruments

Financial instruments consist of financial assets and financial liabilities. Financial assets include bank balances, deposit with bank, loans and advances, receivable from Tamkeen programs and interest receivables. Financial liabilities include non-bank borrowing and interest payables. All financial instruments are carried at amortised cost as at 31 December 2018 and 31 December 2017.

26 CAPITAL MANAGEMENT

Equity includes equity attributable to the owners of the Bank, which for capital management purposes, includes share capital, advance towards share capital and accumulated losses.

The primary objectives of the Bank's capital management processes are to ensure that the Bank maintains liquidity in order to support its business and to maximise equity. No changes were made in the objectives, policies and processes during the years ended 31 December 2018 and 31 December 2017. As discussed in note 2.1 the Bank is now in compliance with externally imposed capital requirements.

27 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy
The Bank 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: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Board of Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximated their fair values as at the reporting dates.

There are no financial assets or financial liabilities carried at fair value as at the reporting dates.

28 ISLAMIC BANKING ACTIVITIES

The Bank offers certain Sharia'a compliant loans to its customers. These activities are subject to supervision of Sharia'a Supervisory Scholar. As at 31 December 2018, Islamic loans comprise 0.95% (2017: 1.39%) of the Bank's total assets.