

BBK B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2019 (REVIEWED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF BBK B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of BBK B.S.C. ("the Bank") and its subsidiaries (collectively, "the Group") comprising of the interim consolidated statement of financial position as at 31 March 2019 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (IAS 34) "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 International Standards on Auditing 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

29 April 2019

Manama, Kingdom of Bahrain

BBK B.S.C.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Reviewed)

	<i>Notes</i>	Reviewed 31 March 2019 BD '000	<i>Audited 31 December 2018 BD '000</i>
ASSETS			
Cash and balances with central banks		263,084	191,028
Treasury bills		381,495	410,380
Deposits and amounts due from banks and other financial institutions		236,804	239,174
Loans and advances to customers	6	1,698,325	1,772,528
Investment securities		839,198	800,263
Investments in associated companies and joint ventures		64,215	62,935
Interest receivable and other assets		82,362	77,849
Premises and equipment		33,032	27,543
TOTAL ASSETS		3,598,515	3,581,700
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		277,035	258,676
Borrowings under repurchase agreement		198,997	198,997
Term borrowings		144,542	144,542
Customers' current, savings and other deposits		2,360,291	2,374,480
Interest payable and other liabilities		129,737	104,566
Total liabilities		3,110,602	3,081,261
Equity			
Share capital		108,165	108,165
Treasury stock		(1,714)	(2,521)
Perpetual tier 1 convertible capital securities	7	86,098	86,098
Share premium		41,016	41,016
Statutory reserve		54,082	54,082
General reserve		54,082	54,082
Cumulative changes in fair values		(13,005)	(25,105)
Foreign currency translation adjustments		(11,781)	(11,711)
Retained earnings		168,086	148,967
Appropriations	7	-	44,617
Equity attributable to the owners of the Bank and capital securities' holders		485,029	497,690
Non-controlling interest		2,884	2,749
Total equity		487,913	500,439
TOTAL LIABILITIES AND EQUITY		3,598,515	3,581,700

 Murad Ali Murad
Chairman

 Mohamed Abdulrahman Hussain
Board Member

 Reyadh Yousif Sater
Chief Executive

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

BBK B.S.C.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Three-month period ended 31 March 2019 (Reviewed)

	Notes	Three-month ended 31 March	
		2019 BD '000	2018 BD '000
Interest and similar income		44,143	37,290
Interest and similar expense		(14,970)	(12,706)
Net interest and similar income		29,173	24,584
Fee and commission income - net		6,392	6,802
Other income	8, 9	5,344	6,213
Total operating income		40,909	37,599
Staff costs		9,382	9,093
Depreciation		1,396	886
Other expenses		4,460	4,155
Total operating expenses		15,238	14,134
Net provision for credit impairment		7,105	8,304
Net provision / (write-back) for impairment / expected credit losses on investments		419	(227)
Total provision for impairment / allowance for expected credit losses		7,524	8,077
Net operating income		18,147	15,388
Share of profit from associated companies and joint ventures		2,005	1,587
PROFIT FOR THE PERIOD BEFORE TAXATION		20,152	16,975
Net tax write-back / (provision)		14	(159)
PROFIT FOR THE PERIOD AFTER TAXATION		20,166	16,816
Attributable to:			
Owners of the Bank		20,031	16,697
Non-controlling interest		135	119
		20,166	16,816
Basic earnings per share (BD)	10	0.019	0.015
Diluted earnings per share (BD)	10	0.016	0.013

 Murad Ali Murad
 Chairman

 Mohamed Abdulrahman Hussain
 Board Member

 Reyadh Yousif Sater
 Chief Executive

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

BBK B.S.C.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME

Three-month period ended 31 March 2019 (Reviewed)

	<i>Three-month ended</i>	
	<i>31 March</i>	
	2019	<i>2018</i>
	BD '000	<i>BD '000</i>
Profit for the period	20,166	16,816
Other comprehensive income / (loss)		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value through other comprehensive income reserve (equity instruments)	4,341	2,488
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
<i>Movement in translation reserve:</i>		
Foreign currency translation adjustments	(71)	26
<i>Movement in hedging reserve:</i>		
Effective portion of changes in fair value	(352)	110
<i>Movement in fair value reserve:</i>		
Net changes in fair value	8,919	(5,074)
Net amount transferred to profit or loss	(1,198)	(2,697)
Other comprehensive income / (loss) for the period	11,639	(5,147)
Total comprehensive income for the period	31,805	11,669
Attributable to:		
Owners of the Bank	31,670	11,550
Non-controlling interest	135	119
	31,805	11,669

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

BBK B.S.C.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three-month period ended 31 March 2019 (Reviewed)

	<i>Attributable to the owners of the Bank and capital securities' holders</i>													
	<i>Perpetual tier 1 convertible</i>								<i>Foreign currency</i>				<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Treasury stock</i>	<i>capital securities</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Cumulative changes in fair values</i>	<i>translation adjustments</i>	<i>Retained earnings</i>	<i>Appropriations</i>	<i>Total</i>	<i>controlling interest</i>	<i>Total equity</i>	
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	
Balance at 1 January 2019	108,165	(2,521)	86,098	41,016	54,082	54,082	(25,105)	(11,711)	148,967	44,617	497,690	2,749	500,439	
Profit for the period	-	-	-	-	-	-	-	-	20,031	-	20,031	135	20,166	
Other comprehensive income for the period	-	-	-	-	-	-	12,100	(70)	(391)	-	11,639	-	11,639	
Total comprehensive income	-	-	-	-	-	-	12,100	(70)	19,640	-	31,670	135	31,805	
Share-based payments	-	-	-	-	-	-	-	-	(512)	-	(512)	-	(512)	
Unclaimed dividends	-	-	-	-	-	-	-	-	(9)	-	(9)	-	(9)	
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	(43,017)	(43,017)	-	(43,017)	
Donations (note 7)	-	-	-	-	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)	
Movement in treasury stock	-	807	-	-	-	-	-	-	-	-	807	-	807	
Balance at 31 March 2019	108,165	(1,714)	86,098	41,016	54,082	54,082	(13,005)	(11,781)	168,086	-	485,029	2,884	487,913	
Balance at 1 January 2018	108,165	(998)	86,098	41,016	54,082	54,082	(8,349)	(9,271)	134,632	39,161	498,618	2,217	500,835	
Profit for the period	-	-	-	-	-	-	-	-	16,697	-	16,697	119	16,816	
Other comprehensive loss for the period	-	-	-	-	-	-	(3,846)	26	(1,327)	-	(5,147)	-	(5,147)	
Total comprehensive income	-	-	-	-	-	-	(3,846)	26	15,370	-	11,550	119	11,669	
Share-based payments	-	-	-	-	-	-	-	-	(439)	-	(439)	-	(439)	
Dividends paid	-	-	-	-	-	-	-	-	-	(37,761)	(37,761)	-	(37,761)	
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	151	151	
Donations	-	-	-	-	-	-	-	-	-	(1,400)	(1,400)	-	(1,400)	
Movement in treasury stock	-	(159)	-	-	-	-	-	-	-	-	(159)	-	(159)	
Balance at 31 March 2018	108,165	(1,157)	86,098	41,016	54,082	54,082	(12,195)	(9,245)	149,563	-	470,409	2,487	472,896	

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three-month period ended 31 March 2019 (Reviewed)

	Note	Three-month ended 31 March	
		2019 BD '000	2018 BD '000
OPERATING ACTIVITIES			
Profit for the period before taxation		20,152	16,975
Adjustments for non-cash items:			
Net provision / (write back) relating to:			
Credit impairment		7,105	8,304
Investments		419	(227)
Share of profit from associated companies and joint ventures		(2,005)	(1,587)
Depreciation		1,396	886
Realised gains on sale of investment securities		(1,284)	(2,697)
Accrual on term borrowings		98	339
Operating profit before changes in operating assets and liabilities		25,881	21,993
(Increase) / decrease in operating assets:			
Mandatory reserve deposits with central banks		(1,287)	1,318
Treasury bills having original maturity of more than ninety days		28,886	(18,162)
Deposits and amounts due from banks and other financial institutions		27,763	(35,706)
Loans and advances to customers		67,098	(66,738)
Interest receivable and other assets		(5,198)	(965)
Increase / (decrease) in operating liabilities:			
Deposits and amounts due to banks and other financial institutions		18,359	59,905
Customers' current, savings and other deposits		(14,189)	(230,210)
Interest payable and other liabilities		25,073	27,091
Income tax paid		(191)	(54)
Net cash from / (used in) operating activities		172,195	(241,528)
INVESTING ACTIVITIES			
Purchase of investment securities		(139,778)	(110,935)
Sale of investment securities		114,657	113,862
Purchase of premises and equipment		(6,885)	(1,169)
Other movements in investment in associated companies and joint ventures		223	(27)
Dividends received from associated companies and joint ventures		150	-
Net cash (used in) / from investing activities		(31,633)	1,731
FINANCING ACTIVITIES			
Payment of dividend and donations		(44,617)	(39,161)
Movement in treasury stock		807	(159)
Movement in share based payments		(521)	(439)
Net cash used in financing activities		(44,331)	(39,759)
Foreign currency translation adjustments		(70)	26
NET CHANGE IN CASH AND CASH EQUIVALENTS		96,161	(279,530)
Cash and cash equivalents at beginning of the period		345,398	612,958
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	441,559	333,428
Additional Information:			
Interest received		41,289	37,118
Interest paid		4,279	6,192

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

1 ACTIVITIES

BBK B.S.C. (the "Bank"), a public shareholding company, was incorporated in the Kingdom of Bahrain by an Amiri Decree in March 1971 and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration number 1234 dated 16 March 1971. The Bank operates in Bahrain under a commercial banking license issued by the Central Bank of Bahrain ("CBB") and its shares are listed at Bahrain Bourse.

The Bank and its subsidiaries (collectively, "the Group") are engaged in commercial banking activities through its branches in the Kingdom of Bahrain, State of Kuwait and Republic of India, and credit card operations and business process outsourcing services through its subsidiaries. The Bank's registered office is at 43 Government Avenue, P O Box 597, Manama, Kingdom of Bahrain.

These interim condensed consolidated financial statements for the three-month period ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 29 April 2019.

2 BASIS OF PREPARATION

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2019 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. In addition, results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending on 31 December 2019.

These interim condensed consolidated financial statements incorporate the interim financial statements of the Bank and its subsidiaries. All intra-group transactions and balances including unrealised gains and losses on transactions between the Group companies have been eliminated on consolidation.

2.2 Significant accounting policies

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"). The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for changes to the accounting due to adoption of IFRS 16 Leases from 1 January 2019 as explained below:

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Prior to the adoption of IFRS 16, the Group accounted and classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease in accordance with IAS 17. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

2 BASIS OF PREPARATION (continued)**2.2 Significant accounting policies (continued)**

The Group has recorded right-of-use assets representing the right to use the underlying assets under premises and equipment and the corresponding lease liabilities to make lease payments under other liabilities. The right-of-use assets and lease liabilities recorded as at 1 January 2019 amounted to BD 6.314 million, with no impact on retained earnings. When measuring lease liabilities, the Group discounted lease payments using the BIBOR at 1 January 2019. Lease costs for the period ended 31 March 2019 relating to right-of-use assets amount to BD 0.460 million and are included under depreciation expense.

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of right-of-use assets are recognised under premises and equipment in the balance sheet.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable, in this case BIBOR. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under other liabilities in the balance sheet.

3 SEGMENTAL INFORMATION

For management purposes the Group is organised into four major business segments:

Retail Banking

Principally handling individual customers' deposits and providing consumer finance type loans, overdrafts, credit facilities and funds transfer facilities, credit cards and foreign exchange.

Corporate Banking

Principally handling loans and other credit facilities, deposit and current accounts for corporate and institutional customers in Bahrain.

International Banking

Principally handling loans and other credit facilities, deposit and current accounts for international corporate and institutional customers. This also covers the operations of the overseas units.

**Investment,
Treasury and other
activities**

Principally providing money market, trading and treasury services as well as the management of the Group's funding operations. Investment activities involve handling investments in local and international markets, investment advisory services and funds management. Other activities also include business process outsourcing services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

3 SEGMENTAL INFORMATION (continued)

These segments are the basis on which the Group reports its information to the chief operating decision maker. Transactions between segments are generally recorded at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a transfer pricing rate which approximates the marginal cost of funds on a matched funding basis.

Segment information for the three-month period ended 31 March 2019 was as follows:

	<i>Retail Banking</i>	<i>Corporate Banking</i>	<i>International Banking</i>	<i>Investment, Treasury and other activities</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Interest income	8,504	10,596	9,997	15,046	44,143
Interest expense	(1,112)	(2,989)	(3,420)	(7,449)	(14,970)
Internal fund transfer price	1,773	(83)	(2,137)	447	-
Net interest income	<u>9,165</u>	<u>7,524</u>	<u>4,440</u>	<u>8,044</u>	<u>29,173</u>
Other operating income	<u>4,800</u>	<u>827</u>	<u>1,182</u>	<u>4,927</u>	<u>11,736</u>
Operating income before share of profit from associated companies and joint ventures	13,965	8,351	5,622	12,971	40,909
Net provision for credit impairment	664	(2,656)	(5,113)	-	(7,105)
Net charge for impairment on investments	-	-	-	(419)	(419)
Segment result	7,310	1,813	(3,785)	12,823	18,161
Share of profit from associated companies and joint ventures	1,696	-	-	309	2,005
Profit for the period					<u>20,166</u>
Profit attributable to non-controlling interest					<u>(135)</u>
Profit attributable to the owners of the Bank					<u><u>20,031</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

3 SEGMENTAL INFORMATION (continued)

Segment information for the three-month period ended 31 March 2018 was as follows:

	<i>Retail Banking</i>	<i>Corporate Banking</i>	<i>International Banking</i>	<i>Investment, Treasury and other activities</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Interest income	7,679	9,619	9,197	10,795	37,290
Interest expense	(834)	(2,639)	(2,842)	(6,391)	(12,706)
Internal fund transfer price	36	(206)	(1,481)	1,651	-
Net interest income	6,881	6,774	4,874	6,055	24,584
Other operating income	5,285	753	1,242	5,735	13,015
Operating income before share of profit from associated companies and joint ventures	12,166	7,527	6,116	11,790	37,599
Net provision for credit impairment	(466)	(6,941)	(897)	-	(8,304)
Net write-back for impairment on investments	-	-	-	227	227
Segment result	5,167	(3,114)	1,383	11,793	15,229
Share of profit from associated companies and joint ventures	1,687	-	-	(100)	1,587
Profit for the period					16,816
Profit attributable to non-controlling interest					(119)
Profit attributable to the owners of the Bank					16,697

4 COMMITMENTS AND CONTINGENT LIABILITIES

	Reviewed 31 March 2019 BD'000	Audited 31 December 2018 BD'000
Contingencies		
Letters of credit	32,602	32,359
Guarantees	221,252	231,625
	253,854	263,984
Commitments		
Undrawn loan commitments	193,388	120,649
	447,242	384,633

The Group does not expect all its commitments to be drawn before the expiry of the commitment.

During the three-month period ended 31 March 2019, net expected credit loss written-back against off balance sheet and other credit exposures amounted to nil. As of 31 March 2019, ECL of BD 1,742 thousand is held against off balance sheet and other credit exposures (31 December 2018: BD 986 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

5 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i> 31 March 2019 BD'000	<i>Reviewed</i> 31 March 2018 BD'000
Cash in hand and vaults	23,802	16,641
Current account and placements with central banks, excluding mandatory deposits	162,389	161,521
Treasury bills with an original maturity of ninety days or less	-	2,865
Deposits and amounts due from banks and other financial institutions having original maturity of ninety days or less	255,368	152,401
	441,559	333,428

6 LOANS AND ADVANCES TO CUSTOMERS*At March 2019*

	Stage 1: 12-month ECL BD'000	Stage 2: Lifetime ECL not credit- impaired BD'000	Stage 3: Lifetime ECL credit- impaired BD'000	Total BD'000
<i>Loans and advances at amortised cost</i>				
Commercial loans and overdrafts	839,414	306,317	125,699	1,271,430
Consumer loans	518,373	19,043	10,835	548,251
	1,357,787	325,360	136,534	1,819,681
Less: allowance for expected credit losses	(6,036)	(35,004)	(80,316)	(121,356)
	1,351,751	290,356	56,218	1,698,325

At 31 December 2018

	Stage 1: 12-month ECL BD'000	Stage 2: Lifetime ECL not credit- impaired BD'000	Stage 3: Lifetime ECL credit- impaired BD'000	Total BD'000
<i>Loans and advances at amortised cost</i>				
Commercial loans and overdrafts	916,266	286,426	140,360	1,343,052
Consumer loans	523,768	19,342	10,429	553,539
	1,440,034	305,768	150,789	1,896,591
Less: allowance for expected credit losses	(11,331)	(25,501)	(87,231)	(124,063)
	1,428,703	280,267	63,558	1,772,528

At 31 March 2019, interest in suspense on past due loans that are fully impaired amounts to BD 16,437 thousand (31 December 2018: BD 15,907 thousand).

The fair value of the collateral consisting of cash, securities and real estate that the Group holds relating to loans individually determined to be impaired at 31 March 2019 amounts to BD 59,835 thousand (31 December 2018: BD 59,819 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

At 31 March 2019, loans and advances include Islamic financing facilities provided by the Group to corporates amounting to BD 74,261 thousand (31 December 2018: BD 98,605 thousand). These mainly consists of Murabaha and Ijarah financing facilities.

During the three-month period ended 31 March 2019, loans amounting to BD 9,958 thousand were written off (31 March 2018: BD 392 thousand) and there was a recovery of BD 1,174 thousand (31 March 2018: BD 289 thousand).

7 EQUITY

At the Extra-Ordinary General Meeting held on 20 March 2019, the shareholders approved the conversion of the Bank's perpetual tier 1 convertible bonds amounting BD 86,097,511 to ordinary shares with a nominal value of 100 fils per share on 2 May 2019, on the basis of two and half shares for each bond for a conversion price of 400 fils per share. As a result, the issued and paid up capital of the Bank will increase to BD 129,689,175 distributed on 1,296,891,746 shares. The management is in the process of obtaining regulatory approvals and amending the constitutional documents of the Bank to reflect the change in issued and paid up capital following the conversion of perpetual tier 1 convertible bonds.

At the Annual General Meeting held on 20 March 2019, the shareholders approved the proposed appropriations of the year ended 31 December 2018.

8 SEASONAL RESULTS

Other income for the three-month period ended 31 March 2019 includes BD 1,476 thousand (31 March 2018: BD 1,123 thousand) of dividend income, which is of a seasonal nature.

9 OTHER INCOME

Other income for the three-month period ended 31 March 2019 includes gain of BD 1,284 thousand (31 March 2018: BD 2,697 thousand) relating to sale of investment securities.

10 BASIC AND DILUTED EARNINGS PER SHARE*Basic and diluted earnings per share*

Basic and diluted earnings per share for the three-month period ended is calculated by dividing the profit for the three-month by the weighted average number of shares outstanding during the three-month period ended and the dilutive effect of the conversion impact of the convertible capital securities are as follows:

	<i>Three-month ended</i>	
	31 March	<i>31 March</i>
	2019	<i>2018</i>
Profit for the period attributable to the owners of the Bank for basic and diluted earnings per share computation (BD '000)	20,031	16,697
Weighted average number of shares, net of treasury stock, outstanding during the period	1,075,281,951	1,078,778,732
Weighted average number of shares, outstanding during the period adjusted for dilutive effect of the conversion impact of the Convertible Capital Securities	1,290,525,731	1,294,022,512
Basic earnings per share (BD)	0.019	0.015
Diluted earnings per share (BD)	0.016	0.013

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

11 RELATED PARTY TRANSACTIONS

Certain related parties (principally the major shareholders, associates, joint venture, directors and key management of the Group, their families and entities controlled, jointly controlled or significantly influenced by such parties) were customers of the Group in the ordinary course of business.

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

	<i>Major shareholders</i>	<i>Associated companies and joint venture</i>	<i>Directors and key management personnel</i>	<i>Total</i>
31 March 2019	BD'000	BD'000	BD'000	BD'000
Loans and advances to customers	-	23,311	2,985	26,296
Investments in associated companies and joint ventures	-	64,215	-	64,215
Customers' current, savings and other deposits	143,616	5,004	7,021	155,641
		<i>Associated companies and joint venture</i>	<i>Directors and key management personnel</i>	<i>Total</i>
31 December 2018	BD'000	BD'000	BD'000	BD'000
Loans and advances to customers	-	23,312	3,020	26,332
Investments in associated companies and joint ventures	-	62,935	-	62,935
Customers' current, savings and other deposits	185,440	3,082	6,838	195,360

For the periods ended 31 March 2019 and 2018, the Group has not recorded any impairment provision / ECL on the amounts due from related parties.

The income and expense in respect of related parties included in the interim consolidated statement of profit or loss are as follows:

	<i>Major shareholders</i>	<i>Associated companies and joint venture</i>	<i>Directors and key management personnel</i>	<i>Total</i>
Three-month period ended 31 March 2019	BD'000	BD'000	BD'000	BD'000
Interest and similar income	-	383	10	393
Interest and similar expense	2,153	22	31	2,206
Share of profit from associated companies and joint ventures	-	2,005	-	2,005

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

11 RELATED PARTY TRANSACTIONS (continued)

<i>Three-month period ended 31 March 2018</i>	<i>Major shareholders BD'000</i>	<i>Associated companies and joint venture BD'000</i>	<i>Directors and key management personnel BD'000</i>	<i>Total BD'000</i>
Interest and similar income	-	316	5	321
Interest and similar expense	1,893	18	22	1,933
Share of profit from associated companies and joint ventures	-	1,587	-	1,587

Compensation for key management, including executive officers, comprises the following:

	<i>Three-month ended</i>	
	31 March 2019 BD'000	<i>31 March 2018 BD'000</i>
Salaries and other short-term benefits	2,888	2,716
Post-employment benefits	125	129
Share based compensation	(521)	108
	2,492	2,953

12 FINANCIAL INSTRUMENTS

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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 March 2019 and 31 December 2018:

31 March 2019	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Financial assets				
Bonds	623,410	-	-	623,410
Equities	43,994	6,458	21,687	72,139
Managed funds	-	819	-	819
Derivatives held-for-trading	-	408	-	408
Derivatives held as fair value hedges	-	4,737	-	4,737
	667,404	12,422	21,687	701,513
Financial liabilities				
Derivatives held-for-trading	-	449	-	449
Derivatives held as fair value hedges	-	10,743	-	10,743
	-	11,192	-	11,192

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (Reviewed)

12 FINANCIAL INSTRUMENTS (continued)

31 December 2018	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Financial assets				
Bonds	587,108	-	75	587,183
Equities	38,264	6,478	21,688	66,430
Managed funds	-	819	-	819
Derivatives held-for-trading	-	468	-	468
Derivatives held as fair value hedges	-	10,800	-	10,800
	<u>625,372</u>	<u>18,565</u>	<u>21,763</u>	<u>665,700</u>
Financial liabilities				
Derivatives held-for-trading	-	458	-	458
Derivatives held as fair value hedges	-	4,343	-	4,343
	<u>-</u>	<u>4,801</u>	<u>-</u>	<u>4,801</u>

Transfers between level 1, level 2 and level 3

During the reporting period / year ended March 2019 and 31 December 2018, there were no transfers into and out of Level 3 fair value measurements.

The table below sets out the estimated carrying values and fair values of those on and off statement of financial position financial instruments carried at amortised cost where fair values are different from the carrying amounts shown in the consolidated financial statements:

	31 March 2019			31 December 2018		
	Carrying value BD '000	Fair value BD '000	Difference BD '000	Carrying value BD '000	Fair value BD '000	Difference BD '000
Financial assets						
Investment securities	<u>142,829</u>	<u>142,082</u>	<u>(747)</u>	<u>145,831</u>	<u>144,141</u>	<u>(1,690)</u>
Financial liabilities						
Term borrowings	<u>144,542</u>	<u>142,774</u>	<u>(1,768)</u>	<u>144,542</u>	<u>140,617</u>	<u>(3,925)</u>

The above financial liabilities and assets are at Level 1 fair value.

The fair value of financial assets and financial liabilities approximate their carrying values, other than those disclosed in the table above.