

BBK B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2019 (REVIEWED)

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

As at 30 June 2019 (Reviewed)

		<i>Reviewed</i> 30 June <i>2019</i> BD '000	<i>Audited</i> <i>31 December</i> <i>2018</i> BD '000
ASSETS			
Cash and balances with central banks		497,888	191,028
Treasury bills		418,255	410,380
Deposits and amounts due from banks and other financial institutions		358,673	239,174
Loans and advances to customers	6	1,653,469	1,772,528
Investment securities		851,147	800,263
Investments in associated companies and joint ventures		63,682	62,935
Interest receivable and other assets		82,574	77,849
Premises and equipment		33,403	27,543
TOTAL ASSETS		3,959,091	3,581,700
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		347,042	258,676
Borrowings under repurchase agreement		198,997	198,997
Term borrowings		144,542	144,542
Customers' current, savings and other deposits		2,646,424	2,374,480
Interest payable and other liabilities		125,262	104,566
Total liabilities		3,462,267	3,081,261
Equity			
Share capital	7	129,689	108,165
Treasury stock		(5,452)	(2,521)
Perpetual tier 1 convertible capital securities	7	-	86,098
Share premium	7	105,590	41,016
Statutory reserve		54,082	54,082
General reserve		54,082	54,082
Cumulative changes in fair values		(17,374)	(25,105)
Foreign currency translation adjustments		(11,443)	(11,711)
Retained earnings		172,047	148,967
Appropriations		12,839	44,617
Equity attributable to the owners of the Bank and capital securities' holders		494,060	497,690
Non-controlling interest		2,764	2,749
Total equity		496,824	500,439
TOTAL LIABILITIES AND EQUITY		3,959,091	3,581,700

Murad Ali Murad
Chairman

Jassem Hasan Zainal
Deputy Chairman

Reyadh Yousif Sater
Chief Executive

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

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

Six-month period ended 30 June 2019 (Reviewed)

	Note	Three-month ended		Six-month ended	
		30 June		30 June	
		2019	2018	2019	2018
		BD '000	BD '000	BD '000	BD '000
Interest and similar income		44,676	40,471	88,819	77,761
Interest and similar expense		(16,267)	(13,811)	(31,238)	(26,517)
Net interest and similar income		28,409	26,660	57,581	51,244
Fee and commission income - net		6,101	6,758	12,493	13,560
Other income	8,9	4,268	6,574	9,612	12,787
Total operating income		38,778	39,992	79,686	77,591
Staff costs		9,328	9,033	18,709	18,126
Depreciation		1,601	932	2,997	1,819
Other expenses		4,686	4,246	9,147	8,401
Total operating expenses		15,615	14,211	30,853	28,346
Net provision for credit impairment		5,881	7,122	12,986	15,426
Net provision / (write-back) for impairment / expected credit losses on investments		128	14	547	(213)
Total provision for impairment / allowance for expected credit losses		6,009	7,136	13,533	15,213
Net operating income		17,154	18,645	35,300	34,032
Share of profit from associated companies and joint ventures		2,850	(219)	4,855	1,368
PROFIT FOR THE PERIOD BEFORE TAXATION		20,004	18,426	40,155	35,400
Net tax write-back / (provision)		122	(133)	136	(292)
PROFIT FOR THE PERIOD AFTER TAXATION		20,126	18,293	40,291	35,108
Attributable to:					
Owners of the Bank		19,999	18,109	40,030	34,805
Non-controlling interest		127	184	261	303
		20,126	18,293	40,291	35,108
Basic and diluted earnings per share (BD)	10	0.014	0.013	0.032	0.029

Murad Ali Murad
Chairman

Jassem Hasan Zainal
Deputy Chairman

Reyadh Yousif Sater
Chief Executive

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

BBK B.S.C.
**INTERIM CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME**

Six-month period ended 30 June 2019 (Reviewed)

	<i>Three-month ended</i>		<i>Six-month ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2019	<i>2018</i>	2019	<i>2018</i>
	BD '000	<i>BD '000</i>	BD '000	<i>BD '000</i>
Profit for the period	20,126	18,293	40,291	35,108
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Fair value through other comprehensive income (equity instruments)	1,343	2,882	5,684	5,370
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
<i>Movement in translation reserve:</i>				
Foreign currency translation adjustments	339	(1,920)	268	(1,894)
<i>Movement in hedging reserve:</i>				
Effective portion of changes in fair value	(236)	171	(588)	281
<i>Movement in fair value reserve</i>				
Net change in fair value	(5,560)	(14,039)	3,359	(19,098)
Net amount transferred to profit or loss	(371)	(253)	(1,570)	(2,951)
Other comprehensive (loss) / income for the period	(4,485)	(13,159)	7,153	(18,292)
Total comprehensive income for the period	15,641	5,134	47,444	16,816
Attributable to:				
Owners of the Bank	15,514	4,950	47,183	16,513
Non-controlling interest	127	184	261	303
	15,641	5,134	47,444	16,816

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

BBK B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2019 (Reviewed)

	Attributable to the owners of the Bank and capital securities' holders												
	Perpetual tier 1 convertible						Foreign currency			Non-controlling interest			Total equity
	Share capital	Treasury stock	capital securities	Share premium	Statutory reserve	General reserve	Cumulative changes in fair values	translation adjustments	Retained earnings	Appropriations	Total	interest	
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
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	-	-	-	-	-	-	-	-	40,030	-	40,030	261	40,291
Other comprehensive income for the period	-	-	-	-	-	-	7,731	268	(846)	-	7,153	-	7,153
Total comprehensive income	-	-	-	-	-	-	7,731	268	39,184	-	47,183	261	47,444
Distribution on perpetual tier 1 convertible capital securities	-	-	-	-	-	-	-	-	(3,551)	-	(3,551)	-	(3,551)
Conversion of perpetual tier 1 convertible capital securities to ordinary shares	21,524	-	(86,098)	64,574	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	296	-	296	-	296
Unclaimed dividends	-	-	-	-	-	-	-	-	(10)	-	(10)	-	(10)
Dividends paid	-	-	-	-	-	-	-	-	-	(43,017)	(43,017)	(246)	(43,263)
Donations	-	-	-	-	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Movement in treasury stock	-	(2,931)	-	-	-	-	-	-	-	-	(2,931)	-	(2,931)
Proposed appropriations (note 7)	-	-	-	-	-	-	-	-	(12,839)	12,839	-	-	-
Balance at 30 June 2019	129,689	(5,452)	-	105,590	54,082	54,082	(17,374)	(11,443)	172,047	12,839	494,060	2,764	496,824
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	-	-	-	-	-	-	-	-	34,805	-	34,805	303	35,108
Other comprehensive loss for the period	-	-	-	-	-	-	(15,188)	(1,894)	(1,210)	-	(18,292)	-	(18,292)
Total comprehensive income	-	-	-	-	-	-	(15,188)	(1,894)	33,595	-	16,513	303	16,816
Distribution on perpetual tier 1 convertible capital securities	-	-	-	-	-	-	-	-	(3,551)	-	(3,551)	-	(3,551)
Share-based payments	-	-	-	-	-	-	-	-	(234)	-	(234)	-	(234)
Dividends paid	-	-	-	-	-	-	-	-	-	(37,761)	(37,761)	(210)	(37,971)
Donations	-	-	-	-	-	-	-	-	-	(1,400)	(1,400)	-	(1,400)
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	151	151
Movement in treasury stock	-	(159)	-	-	-	-	-	-	-	-	(159)	-	(159)
Balance at 30 June 2018	108,165	(1,157)	86,098	41,016	54,082	54,082	(23,537)	(11,165)	164,442	-	472,026	2,461	474,487

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2019 (Reviewed)

	Note	Six-month ended 30 June	
		2019 BD '000	2018 BD '000
OPERATING ACTIVITIES			
Profit for the period before taxation		40,155	35,400
Adjustments for non-cash items:			
Net provision for credit impairment		12,986	15,426
Net provision / (write back) relating to investments		547	(213)
Share of profit of associated companies and joint ventures		(4,855)	(1,368)
Depreciation		2,997	1,819
Realised gains on sale of investment securities		(1,682)	(2,951)
Accrual on term borrowings		1,363	745
Operating profit before changes in operating assets and liabilities		51,511	48,858
(Increase) decrease in operating assets:			
Mandatory reserve deposits with central banks		(4,944)	449
Treasury bills having original maturity of more than ninety days		(7,874)	4,033
Deposits and amounts due from banks and other financial institutions		7,636	(1,583)
Loans and advances to customers		106,073	(99,287)
Interest receivable and other assets		(5,749)	(9,049)
Increase (decrease) in operating liabilities:			
Deposits and amounts due to banks and other financial institutions		88,366	59,675
Customers' current, savings and other deposits		271,944	(63,843)
Interest payable and other liabilities		19,332	1,407
Income tax paid		(288)	265
Net cash from / (used in) operating activities		526,007	(59,075)
INVESTING ACTIVITIES			
Purchase of investment securities		(250,600)	(222,643)
Sale of investment securities		209,515	193,058
Purchase of premises and equipment		(8,857)	(2,080)
Net investments in associated companies		797	(7,939)
Dividends received from associated companies		2,732	2,383
Net cash used in investing activities		(46,413)	(37,221)
FINANCING ACTIVITIES			
Repayment of term borrowing		-	(48,957)
Payment of dividend and donations		(44,617)	(39,161)
Movement in treasury stock		(2,931)	(159)
Movement in share-based payments		296	(234)
Distribution on perpetual tier 1 convertible capital securities		(3,551)	(3,551)
Net cash used in financing activities		(50,803)	(92,062)
Foreign currency translation adjustments		259	(1,862)
NET CHANGE IN CASH AND CASH EQUIVALENTS		429,050	(190,220)
Cash and cash equivalents at beginning of the year		345,398	612,958
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	774,448	422,738
Additional Information:			
Interest received		85,352	76,897
Interest paid		22,290	19,751

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 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 six-month period ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 29 July 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2019 are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). 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 six-month period ended 30 June 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.

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with 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 in the accounting policies due to the adoption of IFRS 16 Leases ("IFRS 16") from 1 January 2019 as explained below:

IFRS 16 Leases

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

As at 30 June 2019 (Reviewed)

2 BASIS OF PREPARATION AND 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 6,929 thousand, 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 30 June 2019 relating to right-of-use assets amount to BD 1,066 thousand and are included under depreciation and other expenses line in the statement of profit or loss.

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 statement of financial position.

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 statement of financial position.

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

As at 30 June 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 six-month period ended 30 June 2019 was as follows:

	<i>Retail banking BD'000</i>	<i>Corporate banking BD'000</i>	<i>International banking BD'000</i>	<i>Investment, treasury and other activities BD'000</i>	<i>Total BD'000</i>
Interest income	16,936	21,481	20,134	30,268	88,819
Interest expense	(2,305)	(6,917)	(6,962)	(15,054)	(31,238)
Internal fund transfer price	3,897	1,100	(3,645)	(1,352)	-
Net interest income	18,528	15,664	9,527	13,862	57,581
Other operating income	9,173	1,814	2,564	8,554	22,105
Operating income before share of profit of associated companies and joint ventures	27,701	17,478	12,091	22,416	79,686
Net provision for credit impairment	(454)	(2,045)	(10,487)	-	(12,986)
Net charge for impairment on investments	-	-	-	(547)	(547)
Segment result	13,492	7,650	(5,380)	19,674	35,436
Share of profit from associated companies and joint ventures	3,078	-	-	1,777	4,855
Profit for the period					40,291
Profit attributable to non-controlling interest					(261)
Profit attributable to the owners of the Bank					40,030

BBK B.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Reviewed)

3 SEGMENTAL INFORMATION (continued)

Segment information for the six-month period ended 30 June 2018 was as follows:

	<i>Retail banking BD'000</i>	<i>Corporate banking BD'000</i>	<i>International banking BD'000</i>	<i>Investment, treasury and other activities BD'000</i>	<i>Total BD'000</i>
Interest income	15,534	19,642	19,534	23,051	77,761
Interest expense	(1,732)	(5,476)	(5,975)	(13,334)	(26,517)
Internal fund transfer price	1,110	(1,116)	(3,348)	3,354	-
Net interest income	14,912	13,050	10,211	13,071	51,244
Other operating income	10,482	1,641	2,331	11,893	26,347
Operating income before share of profit from associated companies and joint ventures	25,394	14,691	12,542	24,964	77,591
Net provision for credit impairment	2,474	(18,508)	608	-	(15,426)
Net write-back for impairment on investments	-	-	-	213	213
Segment result	14,440	(11,019)	5,441	24,878	33,740
Share of profit from associated companies and joint ventures	1,522	-	-	(154)	1,368
Profit for the period					35,108
Profit attributable to non-controlling interest					(303)
Profit attributable to the owners of the Bank					34,805

4 COMMITMENTS AND CONTINGENT LIABILITIES

	Reviewed 30 June 2019 BD'000	Audited 31 December 2018 BD'000
Contingencies		
Letters of credit	30,679	32,359
Guarantees	224,296	231,625
	254,975	263,984
Commitments		
Undrawn loan commitments	180,658	120,649
	435,633	384,633

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

As of 30 June 2019, ECL of BD 1,436 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

As at 30 June 2019 (Reviewed)

5 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i> 30 June 2019 BD'000	<i>Reviewed</i> 30 June 2018 BD'000
Cash in hand and vaults	22,925	20,269
Current account and placements with central banks, excluding mandatory deposits	394,414	198,446
Treasury bills having original maturity of ninety days or less	-	543
Deposits and amounts due from banks and other financial institutions having original maturity of ninety days or less	357,109	203,480
	774,448	422,738

6 LOANS AND ADVANCES TO CUSTOMERS

At 30 June 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	799,349	289,291	136,128	1,224,768
Consumer loans	522,993	15,803	11,861	550,657
	1,322,342	305,094	147,989	1,775,425
Less: allowance for expected credit losses	(4,789)	(31,825)	(85,342)	(121,956)
	1,317,553	273,269	62,647	1,653,469

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 30 June 2019, interest in suspense on past due loans that are fully impaired was BD 18,017 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 30 June 2019 was BD 66,944 thousand (31 December 2018: BD 59,819 thousand).

At 30 June 2019, loans and advances include Islamic financing facilities provided by the Group to corporates was BD 61,523 thousand (31 December 2018: BD 98,605 thousand). These mainly consists of Murabaha and Ijarah financing facilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Reviewed)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

During the six-month period ended 30 June 2019, loans amounting to BD 13,615 thousand were written-off (30 June 2018: BD 1,535 thousand) and there were recoveries of BD 1,773 thousand (30 June 2018: BD 3,267 thousand).

7 EQUITY**(i) Conversion of perpetual tier 1 convertible capital securities**

At the Extra-Ordinary General Meeting held on 20 March 2019, the shareholders approved the conversion of the Bank's perpetual tier 1 convertible capital securities of BD 86,098 thousand to ordinary shares at a price of 400 fils per share effective 2 May 2019. As a result, the issued shares increased by 215,243,793 shares, the paid up capital increased by BD 21,524 thousand and share premium increased by BD 64,574 thousand.

(ii) Interim dividend

The Board of Directors has proposed interim cash dividend of BD 0.010 per share, net of treasury stock. The payment of dividend is subject to the approval of the CBB.

8 SEASONAL RESULTS

Other income for the six-month period ended 30 June 2019 includes BD 2,567 thousand (30 June 2018: BD 4,704 thousand) of dividend income, which is of a seasonal nature.

9 OTHER INCOME

Other income for the six-month period ended 30 June 2019 includes gain of BD 1,682 thousand (30 June 2018: BD 2,951 thousand) relating to sale of investment securities.

10 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Six-month ended</i>		<i>Three-month ended</i>	
	30 June 2019	<i>30 June 2018</i>	30 June 2019	<i>30 June 2018</i>
Profit for the period attributable to the owners of the Bank for basic and diluted earnings per share computation (BD '000)	40,030	34,805	19,999	18,109
Less: Distribution on perpetual tier 1 convertible capital securities	(3,551)	(3,551)	(3,551)	(3,551)
	36,479	31,254	16,448	14,558
Weighted average number of shares, net of treasury stock, outstanding during the period	1,143,739,480	1,078,684,074	1,213,130,802	1,078,684,074
Basic and diluted earnings per share (BD)	0.032	0.029	0.014	0.013

11 RELATED PARTY TRANSACTIONS

Certain related parties (principally the major shareholders, associates, joint ventures, directors and key management personnel 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Reviewed)

11 RELATED PARTY TRANSACTIONS (continued)

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

	<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>
30 June 2019				
Loans and advances to customers	-	24,911	2,784	27,695
Investments in associated companies and joint ventures	-	63,682	-	63,682
Customers' current, savings and other deposits	219,534	3,424	7,902	230,860
	<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>
31 December 2018				
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

As at 30 June 2019, the Group carries ECL against related party exposures of BD 8 thousand (2018: BD 7 thousand).

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 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>
Six-month period ended 30 June 2019				
Interest and similar income	-	784	18	802
Interest and similar expense	2,555	44	67	2,666
Share of profit from associated companies and joint ventures	-	4,855	-	4,855
	<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>
Six-month period ended 30 June 2018				
Interest and similar income	-	665	10	675
Interest and similar expense	3,230	36	45	3,311
Share of profit from associated companies and joint ventures	-	1,368	-	1,368

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Reviewed)

11 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Six-month ended</i>	
	30 June 2019 BD'000	<i>30 June 2018 BD'000</i>
Salaries and other short term benefits	5,655	5,355
Post-employment benefits	231	251
Share based compensation	296	314
	6,182	5,920

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 30 June 2019 and 31 December 2018:

30 June 2019	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Financial assets				
Bonds	629,589	-	-	629,589
Equities	43,204	6,481	21,688	71,373
Managed funds	-	739	-	739
Derivatives held for trading	-	207	-	207
Derivatives held as fair value hedges	-	949	-	949
	672,793	8,376	21,688	702,857
Financial liabilities				
Derivatives held for trading	-	189	-	189
Derivatives held as fair value hedges	-	24,272	-	24,272
	-	24,461	-	24,461
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
	625,372	18,565	21,763	665,700

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2019 (Reviewed)

12 FINANCIAL INSTRUMENTS (continued)

<i>31 December 2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
<i>Financial liabilities</i>				
Derivatives held for trading	-	458	-	458
Derivatives held as fair value hedges	-	4,343	-	4,343
	-	4,801	-	4,801

Transfers between level 1, level 2 and level 3

During the reporting year ended 30 June 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:

	<i>30 June 2019</i>			<i>31 December 2018</i>		
	<i>Carrying value</i>	<i>Fair value</i>	<i>Difference</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Difference</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>
Financial assets						
Investment securities	149,447	148,543	(904)	145,831	144,141	(1,690)
Financial liabilities						
Term borrowings	144,542	143,644	(898)	144,542	140,617	(3,925)

The above financial liabilities and assets are 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.

13 SUBSEQUENT EVENT

Subsequent to 30 June 2019, the Group completed the issuance of international senior unsecured bonds with a five year maturity of US\$ 500,000 thousand (BD 188,500 thousand).