

BBK B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2018 (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 30 June 2018 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-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.



23 July 2018
Manama, Kingdom of Bahrain

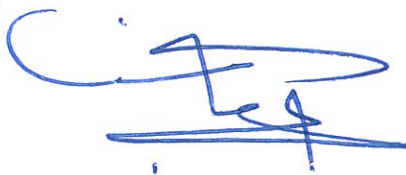
BBK B.S.C.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (Reviewed)

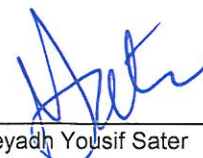
	<i>Note</i>	<i>Reviewed</i> 30 June 2018 BD '000	<i>Audited</i> 31 December 2017 BD '000
ASSETS			
Cash and balances with central banks		298,568	469,436
Treasury bills		423,640	427,130
Deposits and amounts due from banks and other financial institutions		205,064	223,824
Loans and advances to customers	6	1,824,512	1,740,651
Investment securities		764,057	748,985
Investments in associated companies and joint ventures		54,231	46,958
Interest receivable and other assets		89,010	79,680
Premises and equipment		26,697	26,436
TOTAL ASSETS		3,685,779	3,763,100
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		253,147	193,472
Borrowings under repurchase agreement		161,314	161,314
Term borrowings		150,800	199,012
Customers' current, savings and other deposits		2,559,734	2,623,577
Interest payable and other liabilities		86,297	84,890
Total liabilities		3,211,292	3,262,265
Equity			
Share capital		108,165	108,165
Treasury stock		(1,157)	(998)
Perpetual tier 1 convertible capital securities		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		(23,537)	(8,349)
Foreign currency translation adjustments		(11,165)	(9,271)
Retained earnings		164,442	134,632
Appropriations	9	-	39,161
EQUITY ATTRIBUTABLE TO THE OWNERS		472,026	498,618
OF THE BANK AND CAPITAL SECURITIES' HOLDERS		2,461	2,217
Non-controlling interest		2,461	2,217
Total equity		474,487	500,835
TOTAL LIABILITIES AND EQUITY		3,685,779	3,763,100



 Murad Ali Murad
Chairman



 Aref Saleh Khamis
Deputy Chairman



 Reyadh Yousif Sater
Chief Executive

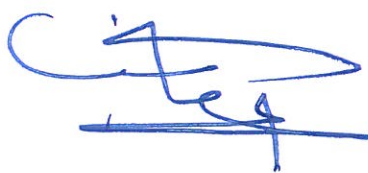
BBK B.S.C.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2018 (Reviewed)

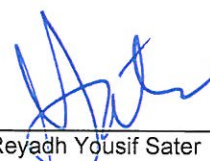
	Note	Three-month ended 30 June		Six-month ended 30 June	
		2018	2017	2018	2017
		BD '000	BD '000	BD '000	BD '000
Interest and similar income		40,471	32,765	77,761	65,909
Interest and similar expense		(13,811)	(10,794)	(26,517)	(21,324)
Net interest income		26,660	21,971	51,244	44,585
Share of profit from associated companies and joint ventures		(219)	1,355	1,368	2,591
Other income	7, 8	13,332	11,438	26,347	23,171
Total operating income		39,773	34,764	78,959	70,347
Staff costs		9,033	8,616	18,126	17,084
Other expenses		4,246	4,026	8,401	7,878
Depreciation		932	853	1,819	1,696
Net provision for credit impairment		7,122	4,555	15,426	10,884
Net provision / (write-back) for impairment on investments		14	5	(213)	(69)
Total operating expenses		21,347	18,055	43,559	37,473
PROFIT BEFORE TAXATION		18,426	16,709	35,400	32,874
Net tax provision		(133)	(168)	(292)	(450)
PROFIT FOR THE PERIOD		18,293	16,541	35,108	32,424
Attributable to:					
Owners of the Bank		18,109	16,421	34,805	32,183
Non-controlling interest		184	120	303	241
		18,293	16,541	35,108	32,424
Basic earnings per share (BD)	10	0.013	0.012	0.029	0.027
Diluted earnings per share (BD)	10	0.014	0.010	0.027	0.022



 Murad Ali Murad
Chairman



 Aref Saleh Khamis
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 2018 (Reviewed)

	<i>Three-month ended</i>		<i>Six-month ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2018	2017	2018	2017
	BD '000	BD '000	BD '000	BD '000
Profit for the period	18,293	16,541	35,108	32,424
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Fair value through other comprehensive income (equity instruments)	2,882	493	5,370	(980)
Items that are or may be reclassified subsequently to profit or loss				
<i>Movement in translation reserve:</i>				
Foreign currency translation adjustments	(1,920)	497	(1,894)	1,724
<i>Movement in hedging reserve:</i>				
Effective portion of changes in fair value	171	(259)	281	282
<i>Movement in fair value reserve (debt instruments - IFRS 9):</i>				
Net change in fair value	(14,039)	(4,237)	(19,098)	9,778
Net amount transferred to profit or loss	(253)	(1,679)	(2,951)	(2,617)
Other comprehensive (loss) / income for the period	(13,159)	(5,185)	(18,292)	8,187
Total comprehensive income for the period	5,134	11,356	16,816	40,611
Attributable to:				
Owners of the Bank	4,950	11,236	16,513	40,370
Non-controlling interest	184	120	303	241
	5,134	11,356	16,816	40,611

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 2018 (Reviewed)

<i>Attributable to the owners of the Bank and capital securities' holders</i>														
Note	<i>Perpetual tier 1 convertible</i>			<i>Cumulative changes in fair values</i>					<i>Foreign currency translation adjustments</i>		<i>Retained earnings Appropriations</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>changes in fair values</i>	<i>translation adjustments</i>	<i>Retained earnings</i>	<i>Appropriations</i>	<i>Total</i>	<i>interest</i>	<i>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>	<i>BD '000</i>
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 issued	-	-	-	-	-	-	-	-	(3,551)	-	(3,551)	-	(3,551)	
Share - based payments	-	-	-	-	-	-	-	-	(234)	-	(234)	-	(234)	
Dividends paid	9	-	-	-	-	-	-	-	-	(37,761)	(37,761)	(210)	(37,971)	
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	151	151	
Donations	9	-	-	-	-	-	-	-	-	(1,400)	(1,400)	-	(1,400)	
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	
Balance at 1 January 2017	108,165	(1,206)	86,098	39,919	54,082	54,082	(13,669)	(11,558)	122,830	33,666	472,409	1,806	474,215	
Profit for the period	-	-	-	-	-	-	-	-	32,183	-	32,183	241	32,424	
Other comprehensive income for the period	-	-	-	-	-	-	7,260	1,724	(797)	-	8,187	-	8,187	
Total comprehensive income	-	-	-	-	-	-	7,260	1,724	31,386	-	40,370	241	40,611	
Distribution of perpetual Tier-1 convertible capital securities issued	-	-	-	-	-	-	-	-	(3,551)	-	(3,551)	-	(3,551)	
Share-based payments	-	-	-	-	-	-	-	-	347	-	347	-	347	
Dividends paid	9	-	-	-	-	-	-	-	-	(32,266)	(32,266)	(135)	(32,401)	
Donations	9	-	-	-	-	-	-	-	-	(1,400)	(1,400)	-	(1,400)	
Movement in treasury stock	-	323	-	1,097	-	-	-	-	-	-	1,420	-	1,420	
Balance at 30 June 2017	108,165	(883)	86,098	41,016	54,082	54,082	(6,409)	(9,834)	151,012	-	477,329	1,912	479,241	

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 2018 (Reviewed)

		<i>Six-month ended</i> <i>30 June</i>	
	<i>Note</i>	2018 BD '000	2017 BD '000
OPERATING ACTIVITIES			
Profit for the period before taxation		35,400	32,874
Adjustments for non-cash items:			
Net provision / (write back) relating to:			
Credit impairment		15,426	10,884
Investments		(213)	(69)
Share of profit of associated companies and joint ventures		(1,368)	(2,591)
Depreciation		1,819	1,696
Realised gains on sale of investment securities		(2,951)	(2,701)
Accrual on term borrowings		745	694
Operating profit before working capital changes		48,858	40,787
(Increase) decrease in operating assets:			
Mandatory reserve deposits with central banks		449	(2,243)
Treasury bills with original maturity of more than 90 days		4,033	(14,273)
Deposits and amounts due from banks and other financial institutions		(1,583)	(7,025)
Loans and advances to customers		(99,287)	60,724
Interest receivable and other assets		(9,049)	10,980
Increase (decrease) in operating liabilities:			
Deposits and amounts due to banks and other financial institutions		59,675	118,963
Borrowings under repurchase agreement		-	65
Customers' current, savings and other deposits		(63,843)	(322,338)
Interest payable and other liabilities		1,407	(2,610)
Income tax paid		265	(123)
Net cash used in operating activities		(59,075)	(117,093)
INVESTING ACTIVITIES			
Purchase of investment securities		(222,643)	(140,641)
Sale of investment securities		193,058	152,518
Other movements in investment in associated companies		32	-
Purchase of premises and equipment		(2,080)	(3,477)
Investment in associated company		(7,939)	-
Dividends received from associated companies		2,383	2,394
Net cash (used in) / from investing activities		(37,189)	10,794
FINANCING ACTIVITIES			
Repayment of term borrowing		(48,957)	(8,509)
Payment of dividend and donations		(39,161)	(33,666)
Movement in treasury stock		(159)	323
Movement in share based payments		(234)	347
Distribution on Perpetual tier 1 Convertible Capital Securities		(3,551)	(3,551)
Net cash used in financing activities		(92,062)	(45,056)
Foreign currency translation adjustments		(1,894)	1,724
NET CHANGE IN CASH AND CASH EQUIVALENTS		(190,220)	(149,631)
Cash and cash equivalents at beginning of the year		612,958	537,604
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	422,738	387,973

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 2018 (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 (MOICT) under Commercial Registration (CR) number 1234 dated 16 March 1971. The Bank operates in the Kingdom of Bahrain under a commercial banking license issued by the Central Bank of Bahrain and its shares are listed on the Bahrain Bourse B.S.C. (c).

The Bank and its subsidiaries (collectively, "the Group") are engaged in commercial banking activities through its branches in Bahrain, Kuwait and India and investment banking, 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.

The interim condensed consolidated financial statements for the six-month period ended 30 June 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 23 July 2018.

2 BASIS OF PREPARATION

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2018 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The 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 2017. In addition, results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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.

Significant accounting policies

New standards, interpretations and amendments adopted by the Group

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 2017, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2018.

The below new standard and several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the interim condensed consolidated financial statements of the Group:

- IFRS 15 - Revenue from Contracts with customers

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, such as:

- IFRS 16 Leases (effective 1 January 2019).

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Reviewed)

3 SEGMENTAL INFORMATION (continued)

- Corporate banking** - Principally handling loans and other credit facilities, deposit and current accounts for corporate and institutional customers in the Kingdom of 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.

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.

Six-month period ended 30 June 2018

	<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 of associated companies and joint ventures	25,394	14,691	12,542	24,964	77,591
Net provision for credit	2,474	(18,508)	608	-	(15,426)
Net write-back of impairment on investments	-	-	-	213	213
Segment result	14,440	(11,019)	5,441	24,878	33,740
Share of profit of 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

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

As at 30 June 2018 (Reviewed)

3 SEGMENTAL INFORMATION (continued)
Six-month period ended 30 June 2017

	<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	14,060	17,903	16,169	17,777	65,909
Interest expense	(1,553)	(4,381)	(4,291)	(11,099)	(21,324)
Internal fund transfer price	(903)	(1,606)	(3,071)	5,580	-
Net Interest Income	11,604	11,916	8,807	12,258	44,585
Other operating Income	11,097	2,086	2,517	7,471	23,171
Operating income before share of profit of associated companies and joint ventures	22,701	14,002	11,324	19,729	67,756
Net provision for credit	(2,308)	(7,867)	(709)	-	(10,884)
Net write back of impairment on investments	-	-	-	69	69
Segment result	7,924	(850)	3,095	19,664	29,833
Share of profit of associated companies and joint ventures	2,519	-	-	72	2,591
Profit for the period					32,424
Profit attributable to non-controlling interest					(241)
Profit attributable to the owners of the Bank					32,183

4 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>Reviewed 30 June 2018 BD'000</i>	<i>Audited 31 December 2017 BD'000</i>
Contingencies		
Letters of credit	38,569	37,255
Guarantees	233,063	230,620
	271,632	267,875
Commitments		
Undrawn loan commitments	78,454	117,670
	350,086	385,545

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Reviewed)

5 CASH AND CASH EQUIVALENTS

	Reviewed 30 June 2018 BD'000	<i>Reviewed 30 June 2017 BD'000</i>
Cash	20,269	19,468
Current account and placements with central banks, excluding mandatory deposits	198,446	137,962
Treasury bills with an original maturity of ninety days or less	543	-
Deposits and amounts due from banks and other financial institutions with an original maturity of ninety days or less	203,480	230,543
	422,738	387,973

6 LOANS AND ADVANCES TO CUSTOMERS

At 30 June 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
Loans and advances at amortised cost				
Commercial loans and overdrafts	963,257	341,964	114,974	1,420,195
Consumer loans	496,672	24,799	10,082	531,553
	1,459,929	366,763	125,056	1,951,748
Loss allowance	(9,575)	(40,653)	(77,008)	(127,236)
	1,450,354	326,110	48,048	1,824,512

At 31 December 2017

	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
Loans and advances at amortised cost				
Commercial loans and overdrafts	916,827	324,457	96,353	1,337,637
Consumer loans	478,888	25,275	11,178	515,341
	1,395,715	349,732	107,531	1,852,978
Loss allowance	(8,781)	(37,284)	(66,262)	(112,327)
	1,386,934	312,448	41,269	1,740,651

At 30 June 2018, interest in suspense on past due loans that are fully impaired amounts to BD 17,979 thousand (31 December 2017: BD 15,049 thousand).

During the six-month period ended 30 June 2018, loans amounting to BD 1,535 thousand were written off (30 June 2017: BD 30,724 thousand) and there was a recovery of BD 3,267 thousand (30 June 2017: BD 3,352 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Reviewed)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

During the six-month period ended 30 June 2018, net expected credit loss written back against off balance sheet and other credit exposures amounting to BD 427 thousand. As of 30 June 2018 ECL amount of BD 1,057 thousand is held against off balance sheet and other credit exposures (31 Dec 2017: BD 1,484 thousand).

7 SEASONAL RESULTS

Other income for the six-month period ended 30 June 2018 includes BD 4,704 thousand (30 June 2017: BD 1,617 thousand) of dividend income, which is of a seasonal nature.

8 OTHER INCOME

Other income for the six-month period ended 30 June 2018 includes gain of BD 2,951 thousand (30 June 2017: gain of BD 3,059 thousand) relating to sale of investment securities.

9 APPROPRIATIONS

At the Annual General Meeting held on 20 March 2018, the shareholders approved the proposed appropriations of the year ended 31 December 2017.

10 BASIC AND DILUTED EARNINGS PER SHARE

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 2018	<i>30 June 2017</i>	30 June 2018	<i>30 June 2017</i>
Profit for the period attributable to the owners of the Bank for basic and diluted earnings per share computation (BD '000)	34,805	32,183	18,109	16,421
(Less): Distribution on perpetual tier 1 convertible capital securities	(3,551)	(3,551)	(3,551)	(3,551)
	31,254	28,632	14,558	12,870
Weighted average number of shares, net of treasury stock, outstanding during the period	1,078,684,074	1,079,151,613	1,078,684,074	1,079,151,613
Weighted average number of shares, outstanding during the period adjusted for dilutive effect of the conversion impact of the Convertible Capital Securities	1,293,927,854	1,294,395,393	1,293,927,854	1,294,395,393
Basic earnings per share (BD)	0.029	0.027	0.013	0.012
Diluted earnings per share (BD)	0.027	0.022	0.014	0.010

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (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 2018				
Loans and advances to customers	-	23,312	3,143	26,455
Customers' current, savings and other deposits	210,544	2,288	6,881	219,713
		<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 2017				
Loans and advances to customers	-	24,812	3,132	27,944
Customers' current, savings and other deposits	216,848	3,848	8,004	228,700

No provision is required in respect of loans given to related parties (2017: nil).

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 2018				
Interest and similar income	-	665	10	675
Interest and similar expense	3,230	36	45	3,311
		<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 2017				
Interest and similar income	-	356	52	408
Interest and similar expense	1,538	33	42	1,613

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Reviewed)

12 KEY MANAGEMENT COMPENSATION

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

	<i>Six-month ended</i>	
	30 June 2018 BD'000	<i>30 June 2017 BD'000</i>
Salaries and other short term benefits	5,355	4,269
Post-employment benefits	251	182
Share based compensation	314	347
	5,920	4,798

13 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 2018 and 31 December 2017:

30 June 2018	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Financial assets				
Bonds	549,597	-	76	549,673
Equities	43,882	6,713	21,689	72,284
Managed funds	-	904	-	904
Derivatives held for trading	-	455	-	455
Derivatives held as fair value hedges	-	17,075	-	17,075
	593,479	25,147	21,765	640,391
Financial liabilities				
Derivatives held for trading	-	490	-	490
Derivatives held as fair value hedges	-	1,399	-	1,399
	-	1,889	-	1,889

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Reviewed)

13 FINANCIAL INSTRUMENTS (continued)

31 December 2017	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Financial assets				
Bonds	563,502	-	666	564,168
Equities	35,242	6,737	22,720	64,699
Managed funds	-	1,196	-	1,196
Derivatives held for trading	-	147	-	147
Derivatives held as fair value hedges	-	7,467	-	7,467
Derivatives held as cash flow hedges	-	100	-	100
	<u>598,744</u>	<u>15,647</u>	<u>23,386</u>	<u>637,777</u>
Financial liabilities				
Derivatives held for trading	-	647	-	647
Derivatives held as fair value hedges	-	5,992	-	5,992
Derivatives held as cash flow hedges	-	-	-	-
	<u>-</u>	<u>6,639</u>	<u>-</u>	<u>6,639</u>

Transfers between level 1, level 2 and level 3

During the reporting year ended 30 June 2018 and 31 December 2017, there were no transfers into and out of Level 3 fair value measurements.

Financial instruments not recorded at fair value

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:

	30 June 2018			31 December 2017		
	Carrying value BD '000	Fair value BD '000	Difference BD '000	Carrying value BD '000	Fair value BD '000	Difference BD '000
Financial liabilities						
Term borrowings	<u>150,800</u>	<u>143,758</u>	<u>(7,042)</u>	<u>199,012</u>	<u>193,941</u>	<u>(5,071)</u>
Financial assets						
Investment securities	<u>141,196</u>	<u>138,768</u>	<u>(2,428)</u>	<u>118,923</u>	<u>117,233</u>	<u>(1,690)</u>

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.