

NATIONAL BANK OF BAHRAIN BSC
CONDENSED INTERIM FINANCIAL INFORMATION
31 March 2017

Commercial registration: 269 (Licensed by the Central Bank of Bahrain as a conventional retail bank)

Board of Directors: Farouk Yousuf Khalil Almoayyed, *Chairman*
Dr. Essam Abdulla Fakhro, *Deputy Chairman*
Abdulla Yousif Akbar Alireza, *Deputy Chairman*
Ali Hussain Yateem, Director
Khalid Yousif Abdul Rahman, Director
Hussain Sultan Al Ghanem, Director
Abdul Razak Abdulla H.Al Qassim, Director
Fawzi Ahmed Kanoo, Director
Khalid Al Rumaihi, Director
Mir Zulfekar Ali, Director
Sh. Rashid Bin Salman Mohamed Al Khalifa, Director

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Auditors: KPMG

National Bank of Bahrain BSC

Condensed interim financial information for the three months ended 31 March 2017

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Independent auditors' report on review of condensed interim financial information

The Board of Directors
National Bank of Bahrain BSC
Manama
Kingdom of Bahrain

19 April 2017

Introduction

We have reviewed the accompanying 31 March 2017 condensed interim financial information of National Bank of Bahrain BSC (the "Bank"), which comprises:

- the condensed statement of financial position as at 31 March 2017;
- the condensed statement of profit or loss for the three months period ended 31 March 2017;
- the condensed statement of comprehensive income for the three months period ended 31 March 2017;
- the condensed statement of changes in equity for the three months period ended 31 March 2017;
- the condensed statement of cash flows for the three months period ended 31 March 2017; and
- notes to the condensed interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 31 March 2017 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

Bahraini Dinars Millions

	31 March 2017 (reviewed)	31 December 2016 (audited)	31 March 2016 (reviewed)
Assets			
Cash and balances at central banks	98.42	102.99	102.84
Treasury bills	457.67	486.80	460.81
Placement with banks and other financial institutions	71.21	160.90	135.38
Trading securities	0.44	0.35	0.32
Loans and advances	1,118.85	1,031.93	1,097.46
Investment securities	1,111.71	1,092.92	1,052.23
Investment in associates	49.08	50.08	37.99
Interest receivable and other assets	32.65	38.71	52.08
Property and equipment	12.83	12.42	12.49
Total assets	2,952.86	2,977.10	2,951.60
Liabilities			
Due to banks and other financial institutions	321.93	373.81	340.06
Borrowings under repurchase agreements	46.82	64.28	9.38
Customers' deposits	2,143.16	2,088.35	2,216.81
Interest payable and other liabilities	26.32	35.96	57.33
Total liabilities	2,538.23	2,562.40	2,623.58
Equity			
Share capital	127.54	115.95	115.95
Shares under employee share incentive scheme	(1.54)	(1.64)	(1.49)
Share premium	4.06	2.53	2.53
Statutory reserve	63.77	57.98	57.98
General reserve	32.40	32.40	32.40
Other reserves and retained earnings	188.40	207.48	120.65
Total equity (page 5)	414.63	414.70	328.02
Total liabilities and equity	2,952.86	2,977.10	2,951.60



Farouk Yousuf Khalil Almoayyed
Chairman



Dr. Essam Abdulla Fakhre
Deputy Chairman



Jean Christophe Durand
Chief Executive Officer

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 12 on 19 April 2017.

CONDENSED STATEMENT OF PROFIT OR LOSS
for the three months ended 31 March 2017

Bahraini Dinars Millions

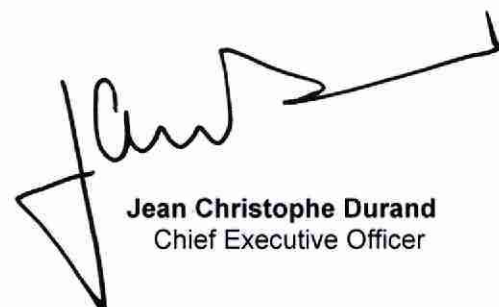
	Three months ended	
	31 March 2017 (reviewed)	31 March 2016 (reviewed)
Interest income	23.81	20.95
Interest expense	(6.70)	(5.17)
Net interest income	17.11	15.78
Other income	9.60	10.47
Total operating income	26.71	26.25
Staff expenses	5.23	5.54
Other expenses	2.43	2.35
Total operating expenses	7.66	7.89
Profit before provisions	19.05	18.36
Impairment provisions on loans and advances	(4.31)	-
Impairment provisions on investments	-	(0.60)
Profit for the period	14.74	17.76
Basic and diluted earnings per share	11.7 fils	14.1 fils



Farouk Yousuf Khalil Almoayyed
Chairman



Dr. Essam Abdulla Fakhro
Deputy Chairman



Jean Christophe Durand
Chief Executive Officer

The condensed interim financial information consists of pages 2 to 12.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the three months ended 31 March 2017

Bahraini Dinars Millions

	Three months ended	
	31 March 2017 (reviewed)	31 March 2016 (reviewed)
Profit for the period	14.74	17.76
Other comprehensive income:		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation movement	-	(0.01)
Fair value reserve (available-for-sale securities):		
- Net change in fair value	12.31	(29.56)
- Net amount transferred to profit or loss	-	(0.11)
Share of other comprehensive income of associates	(0.02)	(0.01)
Total other comprehensive income for the period	12.29	(29.69)
Total comprehensive income for the period	27.03	(11.93)

The condensed interim financial information consists of pages 2 to 12.

CONDENSED STATEMENT OF CHANGES IN EQUITY
 for the three months ended 31 March 2017

Bahraini Dinars Millions

2017 (reviewed)

	Share capital	Shares under employee share incentive scheme	Share premium	Statutory reserve	General reserve	Other reserves and retained earnings			Total equity
						Fair value reserve	Donation and charity reserve	Retained earnings	
Balance at 1 January 2017	115.95	(1.64)	2.53	57.98	32.40	25.26	14.66	167.56	414.70
2016 appropriations:									
- Cash dividend at 25%	-	-	-	-	-	-	-	(28.65)	(28.65)
- Bonus shares issued (10%)	11.59	(0.14)	-	-	(11.59)	-	-	0.14	-
- Transfer to donations and charity	-	-	-	-	-	-	2.91	(2.91)	-
- Transfer to general reserve	-	-	-	-	17.38	-	-	(17.38)	-
- Transfer to statutory reserve	-	-	-	5.79	(5.79)	-	-	-	-
Balance after 2016 appropriations	127.54	(1.78)	2.53	63.77	32.40	25.26	17.57	118.76	386.05
Shares allocated during the period	-	0.24	1.53	-	-	-	-	-	1.77
Comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	14.74	14.74
Other comprehensive income	-	-	-	-	-	12.29	-	-	12.29
Total comprehensive income for the period	-	-	-	-	-	12.29	-	14.74	27.03
Utilisation of donation and charity reserve	-	-	-	-	-	-	(0.22)	-	(0.22)
Balance at 31 March 2017	127.54	(1.54)	4.06	63.77	32.40	37.55	17.35	133.50	414.63

The condensed interim financial information consists of pages 2 to 12.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2016

Bahraini Dinars Millions

2016 (reviewed)	Share capital	Shares under employee share incentive scheme	Share premium	Statutory reserve	General reserve	Other reserves and retained earnings			Total equity
						Fair value reserve	Donation and charity reserve	Retained earnings	
Balance at 1 January 2016	105.41	(1.72)	1.21	51.75	32.40	7.62	13.40	154.69	364.76
2015 appropriations:									
- Cash dividend at 25%	-	-	-	-	-	-	-	(25.98)	(25.98)
- Bonus shares issued	10.54	-	-	-	(10.54)	-	-	-	-
- Transfer to donations and charity	-	-	-	-	-	-	2.76	(2.76)	-
- Transfer to general / statutory reserve	-	-	-	0.96	15.81	-	-	(16.77)	-
- Transfer to statutory reserve	-	-	-	5.27	(5.27)	-	-	-	-
Balance after 2015 appropriations	115.95	(1.72)	1.21	57.98	32.40	7.62	16.16	109.18	338.78
Shares allocated during the period	-	0.23	1.32	-	-	-	-	-	1.55
Comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	17.76	17.76
Other comprehensive income	-	-	-	-	-	(29.68)	-	(0.01)	(29.69)
Total comprehensive income for the period	-	-	-	-	-	(29.68)	-	17.75	(11.93)
Utilisation of donation and charity reserve	-	-	-	-	-	-	(0.38)	-	(0.38)
Balance at 31 March 2016	115.95	(1.49)	2.53	57.98	32.40	(22.06)	15.78	126.93	328.02

The condensed interim financial information consists of pages 2 to 12.

CONDENSED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2017

Bahraini Dinars Millions

	Three months ended	
	31 March 2017 (reviewed)	31 March 2016 (reviewed)
Cash flow from operating activities		
Profit for the period	14.74	17.76
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	0.42	0.39
Impairment provisions for loans and advances	4.31	-
Impairment provisions for investment	-	0.60
Share of profit of associates	(1.31)	(0.90)
Profit for the period after adjustments	18.16	17.85
Change in operating assets and liabilities:		
Balances with central banks (mandatory cash reserve)	6.25	2.14
Treasury bills	(19.11)	(71.46)
Placements with banks and other financial institutions	3.46	(13.86)
Trading securities	(0.09)	5.71
Loans and advances	(91.23)	(45.74)
Investment securities	(6.67)	22.56
Interest receivable and other assets	4.37	(9.60)
Due to banks and other financial institutions	(51.88)	68.57
Borrowings under repurchase agreements	(17.46)	(60.28)
Customers' deposits	54.81	(30.21)
Interest payable and other liabilities	(9.64)	(5.06)
Net cash used in operating activities	(109.03)	(119.38)
Cash flow from investing activities		
Dividend received from associates	2.28	0.65
Purchase of property & equipment, net	(0.83)	(0.37)
Net cash from investing activities	1.45	0.28
Cash flow from financing activities		
Dividends paid	(24.99)	(21.73)
Donations and charities paid	(0.22)	(0.38)
Net cash used in financing activities	(25.21)	(22.11)
Net decrease in cash and cash equivalents during the period	(132.79)	(141.21)
Cash and cash equivalents at 1 January	208.86	372.65
Cash and cash equivalents at 31 March	76.07	231.44

The condensed interim financial information consists of pages 2 to 12.

1. Reporting Entity

National Bank of Bahrain BSC, a public shareholding company, was incorporated in the Kingdom of Bahrain by an Amiri decree in January 1957. The Bank is licensed by Central Bank of Bahrain as a conventional retail bank.

2. Basis of Preparation

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), which permits the interim financial information to be in summarised form. The condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2016.

3. Significant Accounting Policies

The condensed interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited financial statements of the Bank for the year ended 31 December 2016, except for the changes arising from adoption of relevant revised IFRS, amendments and interpretation issued by IASB that are effective for annual reporting periods beginning on 1 January 2017. The adoption of these standards did not have a significant impact on the condensed interim financial information.

The condensed interim financial information is reviewed, not audited. The comparatives for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2016 and reviewed condensed interim financial information for the three months ended 31 March 2016. The comparatives for the condensed statements of profit or loss, comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed interim financial information for the three months period ended 31 March 2016.

4. Financial Risk Management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2016.

5. Estimates

The condensed interim financial information is influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the condensed interim financial information. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the application of standards. Actual results may differ from these estimates. The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation are in accordance with the application of standards and are same as those applied to the audited financial statements for the year ended 31 December 2016.

6. Seasonality

For three months ended 31 March 2017, other income includes BD 2.65 million (March 2016: BD 3.53 million) of dividends received from the Bank's investments in equity securities. This income is of a seasonal nature.

7. Related Parties

Certain related parties (major shareholders, directors of the Bank and their families and companies of which they are principal owners, and key management personnel) were customers of the Bank in the ordinary course of business. The transactions with these parties were made on an arm's length basis.

8. Appropriations

At the annual ordinary general meeting for the year 2016, which was held on 8 March 2017, certain appropriations were approved and effected during the period. These appropriations include BD 28.99 million (BD 28.65 million excluding dividends on un allocated shares under employee share incentive scheme) for cash dividend at 25%, BD 2.91 million for donations and contributions, transfer of BD 17.38 million from retained earnings to general reserve, increase in paid up capital due to a one for ten bonus issue through utilization of BD 11.59 million from general reserve and transfer of BD 5.79 million from general reserve to statutory reserve.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2017**

Bahraini Dinars Millions

9. Employee Share Incentive Scheme

During the period, as part of the Employee Share Incentive Scheme, the Bank has allocated ordinary shares with a nominal value of BD 0.24 million to the employees under this scheme, which has resulted in share premium of BD 1.53 million. Unallocated shares under the scheme are deducted from equity. The allocated shares under the scheme are entitled to cash & stock dividends.

10. Contingent Liabilities and Banking Commitments**Contingent liabilities**

Letters of credits

Guarantees

Sub-total

Banking commitments

Undrawn loan commitments

Forward commitments

Interest rate contracts

Foreign exchange contracts

Sub-total

Total

	31 March 2017 (reviewed)	31 December 2016 (audited)	31 March 2016 (reviewed)
	29.48	27.49	35.52
	158.23	158.10	142.61
	187.71	185.59	178.13
	105.57	58.19	59.00
	18.80	-	33.20
	594.00	644.69	557.49
	771.67	572.81	450.95
	1,490.04	1,275.69	1,100.64
	1,677.75	1,461.28	1,278.77

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2017

Bahraini Dinars Millions

11. Operating Segment Information
(reviewed)

	Personal Banking		Bahrain Business Banking		Treasury & International Banking		Total	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
External revenue	7.05	8.47	4.77	3.72	21.59	19.23	33.41	31.42
External expense	(2.29)	(1.49)	(2.68)	(2.88)	(1.73)	(0.80)	(6.70)	(5.17)
Inter-segment interest income / (expense)	3.22	2.23	2.42	2.80	(5.64)	(5.03)	-	-
Total revenue	7.98	9.21	4.51	3.64	14.22	13.40	26.71	26.25
Result	5.05	5.94	(2.24)	1.63	12.58	10.69	15.39	18.26
Unallocated corporate expenses							(0.65)	(0.50)
Profit for the period							14.74	17.76

12. Fair Value Hierarchy

The Bank measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The fair value of financial assets and liabilities other than those disclosed below approximate their carrying value.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2017

12. Fair Value Hierarchy (continued)

The table below analyses financial assets and liabilities carried at fair value, by valuation method.

	<i>BD 000's</i>				<i>BD 000's</i>			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	31 March 2017				31 December 2016			
Financial assets held for trading	439	-	-	439	349	-	-	349
Financial assets designated at fair value through profit or loss – Managed Funds	-	308	-	308	-	303	-	303
Available-for-sale financial assets:								
Debt securities	329,973	730,984	-	1,060,957	320,614	722,429	-	1,043,043
Equity securities	39,926	-	10,523	50,449	39,245	-	10,332	49,577
Derivative financial assets	-	3,246	-	3,246	-	3,455	-	3,455
Total	370,338	734,538	10,523	1,115,399	360,208	726,187	10,332	1,096,727
Derivative financial liabilities	-	493	-	493	-	719	-	719

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2017

The following table analyses the movement in level 3 financial assets during the period. There are no transfers between level 1, level 2 and level 3 of the fair value hierarchy:

		<i>BD 000's</i>	
		Available-for-sale financial assets	
		2017	2016
At 1 January		10,332	12,198
Total gains / (losses):			
in income statement		-	(41)
in other comprehensive income		191	(845)
Purchases		-	-
Settlements		-	(1,358)
Transfers out of level 3		-	-
At 31 March		10,523	9,954
Total loss for the period included in income statement for assets/liabilities held at 31 March		-	(41)

Level 3 comprises unquoted equity investments classified as available for sale which are measured at their net asset values based on the latest financial statements issued by the investee. Sensitivity analysis of the movement in fair value of the financial instruments in the level 3 category financial assets are assessed as not significant to the other comprehensive income and total equity.