

BBK B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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 30 September 2019 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the nine-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 Interim Financial Reporting ("IAS 34"). 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.



28 October 2019
Manama, Kingdom of Bahrain

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

As at 30 September 2019 (Reviewed)

All figures in BD millions

	Note	Reviewed 30 September 2019	<i>Audited</i> 31 December 2018
ASSETS			
Cash and balances with central banks		316.54	191.03
Treasury bills		413.45	410.38
Deposits and amounts due from banks and other financial institutions		243.33	239.17
Loans and advances to customers	6	1,714.36	1,772.53
Investment securities		881.33	800.26
Investments in associated companies and joint ventures		63.55	62.94
Interest receivable and other assets		74.38	77.85
Premises and equipment		34.00	27.54
TOTAL ASSETS		3,740.94	3,581.70
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		368.44	258.68
Borrowings under repurchase agreement		199.00	199.00
Term borrowings		333.04	144.54
Customers' current, savings and other deposits		2,206.84	2,374.48
Interest payable and other liabilities		133.03	104.56
Total liabilities		3,240.35	3,081.26
Equity			
Share capital	7	129.69	108.17
Treasury stock		(7.08)	(2.52)
Perpetual tier 1 convertible capital securities	7	-	86.10
Share premium	7	105.59	41.02
Statutory reserve		54.08	54.08
General reserve		54.08	54.08
Cumulative changes in fair values		(13.48)	(25.11)
Foreign currency translation adjustments		(12.17)	(11.71)
Retained earnings		186.96	148.96
Appropriations		-	44.62
Equity attributable to the owners of the Bank and capital securities' holders		497.67	497.69
Non-controlling interest		2.92	2.75
Total equity		500.59	500.44
TOTAL LIABILITIES AND EQUITY		3,740.94	3,581.70

 Murad Ali Murad
Chairman

 Jassem Hasan Zainal
Deputy Chairman

 Reyadh Yousif Sater
Group 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

Nine-month period ended 30 September 2019 (Reviewed)

All figures in BD millions

		<i>Three-month ended</i>		<i>Nine-month ended</i>	
		<i>30 September</i>		<i>30 September</i>	
	<i>Note</i>	2019	<i>2018</i>	2019	<i>2018</i>
Interest and similar income		45.75	43.38	134.57	121.14
Interest and similar expense		(19.31)	(14.48)	(50.55)	(40.99)
NET INTEREST AND SIMILAR INCOME		26.44	28.90	84.02	80.15
Fee and commission income - net		4.99	4.89	17.49	18.45
Other income	8,9	5.27	5.15	14.89	17.94
TOTAL OPERATING INCOME		36.70	38.94	116.40	116.54
Staff costs		9.40	9.65	28.11	27.78
Other expenses		6.87	5.43	19.02	15.65
TOTAL OPERATING EXPENSES		16.27	15.08	47.13	43.43
Total provisions - net	10	6.10	11.07	19.64	26.29
NET OPERATING INCOME		14.33	12.79	49.63	46.82
Share of profit from associated companies and joint ventures		1.52	1.10	6.38	2.47
PROFIT FOR THE PERIOD BEFORE TAXATION		15.85	13.89	56.01	49.29
Net tax provision for the period		(0.24)	(0.15)	(0.10)	(0.44)
PROFIT FOR THE PERIOD		15.61	13.74	55.91	48.85
Attributable to:					
Owners of the Bank		15.45	13.61	55.49	48.42
Non-controlling interest		0.16	0.13	0.42	0.43
		15.61	13.74	55.91	48.85
Basic and diluted earnings per share (BD)	11	0.012	0.013	0.044	0.042

Murad Ali Murad
Chairman

Jassem Hasan Zainal
Deputy Chairman

Reyadh Yousif Sater
Group 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

Nine-month period ended 30 September 2019 (Reviewed)

All figures in BD millions

	<i>Three-month ended</i>		<i>Nine-month ended</i>	
	<i>30 September</i>	<i>2018</i>	<i>30 September</i>	<i>2018</i>
	2019		2019	
Profit for the period	15.61	13.74	55.91	48.85
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Fair value through other comprehensive income (equity instruments)	(0.75)	0.81	4.94	6.18
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
<i>Movement in translation reserve:</i>				
Foreign currency translation adjustments	(0.73)	(1.29)	(0.46)	(3.19)
<i>Movement in hedging reserve:</i>				
Effective portion of changes in fair value	(0.42)	0.09	(1.01)	0.37
<i>Movement in fair value reserve</i>				
Net change in fair value	4.57	15.14	7.93	(3.96)
Net amount transferred to profit or loss	(0.20)	(0.24)	(1.77)	(3.19)
Net amount transferred to profit or loss				
Other comprehensive income / (loss) for the period	2.47	14.51	9.63	(3.79)
Total comprehensive income for the period	18.08	28.25	65.54	45.06
Attributable to:				
Owners of the Bank	17.92	28.12	65.12	44.63
Non-controlling interest	0.16	0.13	0.42	0.43
	18.08	28.25	65.54	45.06

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

Nine-month period ended 30 September 2019 (Reviewed)

All figures in BD millions

	Attributable to the owners of the Bank and capital securities' holders											Non-controlling interest	Total equity
	Perpetual tier 1 convertible			Share premium	Statutory reserve	General reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Retained earnings	Appropriations	Total		
	Share capital	Treasury stock	capital securities										
Balance at 1 January 2019	108.17	(2.52)	86.10	41.02	54.08	54.08	(25.11)	(11.71)	148.96	44.62	497.69	2.75	500.44
Profit for the period	-	-	-	-	-	-	-	-	55.49	-	55.49	0.42	55.91
Other comprehensive income for the period	-	-	-	-	-	-	11.63	(0.46)	(1.54)	-	9.63	-	9.63
Total comprehensive income	-	-	-	-	-	-	11.63	(0.46)	53.95	-	65.12	0.42	65.54
Distribution on perpetual tier 1 convertible capital securities ordinary shares	21.52	-	(86.10)	64.57	-	-	-	-	(3.55)	-	(3.55)	-	(3.55)
Share-based payments	-	-	-	-	-	-	-	-	0.45	-	0.45	-	0.45
Unclaimed dividends	-	-	-	-	-	-	-	-	(0.01)	-	(0.01)	-	(0.01)
Dividends paid	-	-	-	-	-	-	-	-	(12.84)	(43.02)	(55.86)	(0.25)	(56.11)
Donations	-	-	-	-	-	-	-	-	-	(1.60)	(1.60)	-	(1.60)
Movement in treasury stock	-	(4.56)	-	-	-	-	-	-	-	-	(4.56)	-	(4.56)
Proposed appropriations (note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2019	129.69	(7.08)	-	105.59	54.08	54.08	(13.48)	(12.17)	186.96	-	497.67	2.92	500.59
Balance at 1 January 2018	108.17	(1.00)	86.10	41.02	54.08	54.08	(8.35)	(9.27)	134.63	39.16	498.62	2.22	500.84
Profit for the period	-	-	-	-	-	-	-	-	48.42	-	48.42	0.43	48.85
Other comprehensive loss for the period	-	-	-	-	-	-	0.22	(3.19)	(0.82)	-	(3.79)	-	(3.79)
Total comprehensive income	-	-	-	-	-	-	0.22	(3.19)	47.60	-	44.63	0.43	45.06
Distribution on perpetual tier 1 convertible capital securities	-	-	-	-	-	-	-	-	(3.55)	-	(3.55)	-	(3.55)
Share-based payments	-	-	-	-	-	-	-	-	(0.73)	-	(0.73)	-	(0.73)
Dividends paid	-	-	-	-	-	-	-	-	-	(37.76)	(37.76)	(0.21)	(37.97)
Donations	-	-	-	-	-	-	-	-	-	(1.40)	(1.40)	-	(1.40)
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	0.15	0.15
Movement in treasury stock	-	(1.30)	-	-	-	-	-	-	-	-	(1.30)	-	(1.30)
Balance at 30 September 2018	108.17	(2.30)	86.10	41.02	54.08	54.08	(8.13)	(12.46)	177.95	-	498.51	2.59	501.10

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine-month period ended 30 September 2019 (Reviewed)

All figures in BD millions

		<i>Nine-month ended</i>	
		<i>30 September</i>	
	Note	2019	2018
OPERATING ACTIVITIES			
Profit for the period before taxation		56.01	49.29
Adjustments for non-cash items:			
Total provisions - net	10	19.64	26.29
Share of profit of associated companies and joint ventures		(6.38)	(2.47)
Depreciation		4.57	2.71
Realised gains on sale of investment securities		(1.91)	(3.20)
Accrual on term borrowings		2.46	0.75
Operating profit before changes in operating assets and liabilities		74.39	73.37
(Increase) decrease in operating assets:			
Mandatory reserve deposits with central banks		(12.44)	4.59
Treasury bills having original maturity of more than ninety days		(3.07)	(18.59)
Deposits and amounts due from banks and other financial institutions		9.37	(33.32)
Loans and advances to customers		39.11	(133.98)
Interest receivable and other assets		2.46	(11.35)
Increase (decrease) in operating liabilities:			
Deposits and amounts due to banks and other financial institutions		109.76	33.83
Borrowings under repurchase agreement		-	75.38
Customers' current, savings and other deposits		(167.64)	(225.05)
Interest payable and other liabilities		26.06	0.55
Income tax (paid) / refund		(0.28)	0.12
Net cash from / (used in) operating activities		77.72	(234.45)
INVESTING ACTIVITIES			
Purchase of investment securities		(338.95)	(291.11)
Sale of investment securities		271.34	268.16
Other movements in investments in associated companies		0.80	0.07
Purchase of premises and equipment		(11.02)	(2.91)
Net investments in associated companies		0.44	(14.90)
Dividends received from associated companies		3.37	2.74
Net cash used in investing activities		(74.02)	(37.95)
FINANCING ACTIVITIES			
Addition / (repayment) of term borrowing		188.50	(55.22)
Payment of dividend and donations		(57.46)	(39.16)
Movement in treasury stock		(4.56)	(1.30)
Movement in share-based payments		0.43	(0.73)
Distribution on perpetual tier 1 convertible capital securities		(3.55)	(3.55)
Net cash from / (used in) financing activities		123.36	(99.96)
Foreign currency translation adjustments		(0.46)	(3.19)
NET CHANGE IN CASH AND CASH EQUIVALENTS		126.60	(375.55)
Cash and cash equivalents at beginning of the year		345.40	612.96
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	472.00	237.41
Additional Information:			
Interest received		133.49	118.97
Interest paid		(55.30)	(34.46)
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 September 2019 (Reviewed)

*All figures in BD millions***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 nine-month period ended 30 September 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 28 October 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 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 nine-month period ended 30 September 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 September 2019 (Reviewed)

*All figures in BD millions***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 6.93 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 30 September 2019 relating to right-of-use assets amount to BD 1.63 million 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

All figures in BD millions

3 SEGMENTAL INFORMATION (continued)

Segment information for the nine-month period ended 30 September 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>
Interest income	25.41	31.01	31.39	46.76	134.57
Interest expense	(3.67)	(11.73)	(11.25)	(23.90)	(50.55)
Internal fund transfer price	4.92	2.50	(4.34)	(3.08)	-
Net interest income	26.66	21.78	15.80	19.78	84.02
Other operating income	14.33	2.68	3.65	11.72	32.38
Operating income before share of profit of associated companies and joint ventures	40.99	24.46	19.45	31.50	116.40
Total provisions - net	(3.14)	(2.72)	(13.17)	(0.61)	(19.64)
Segment result	16.69	9.92	(4.48)	27.40	49.53
Share of profit from associated companies and joint ventures	4.55	-	-	1.83	6.38
Profit for the period					55.91
Profit attributable to non-controlling interest					(0.42)
Profit attributable to the owners of the Bank					55.49

Segment information for the nine-month period ended 30 September 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>
Interest income	23.73	30.45	30.67	36.29	121.14
Interest expense	(2.68)	(8.07)	(9.36)	(20.88)	(40.99)
Internal fund transfer price	2.17	(1.49)	(5.50)	4.82	-
Net interest income	23.22	20.89	15.81	20.23	80.15
Other operating income	15.62	2.39	3.39	14.99	36.39
Operating income before share of profit from associated companies and joint ventures	38.84	23.28	19.20	35.22	116.54
Total provisions - net	(0.13)	(21.42)	(4.95)	0.21	(26.29)
Segment result	18.12	(9.24)	2.61	34.89	46.38
Share of profit from associated companies and joint ventures	2.93	-	-	(0.46)	2.47
Profit for the period					48.85
Profit attributable to non-controlling interest					(0.43)
Profit attributable to the owners of the Bank					48.42

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

All figures in BD millions

4 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>Reviewed</i> 30 September 2019	<i>Audited</i> 31 December 2018
Contingencies		
Letters of credit	27.82	32.36
Guarantees	230.64	231.63
	<u>258.46</u>	<u>263.99</u>
Commitments		
Undrawn loan commitments	182.52	120.65
	<u>440.98</u>	<u>384.64</u>

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

As of 30 September 2019, ECL of BD 1.07 million is held against off balance sheet and other credit exposures (31 December 2018: BD 0.99 million).

5 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i> 30 September 2019	<i>Reviewed</i> 30 September 2018
Cash in hand and vaults	18.68	18.08
Current account and placements with central banks, excluding mandatory deposits	209.86	56.09
Deposits and amounts due from banks and other financial institutions having original maturity of ninety days or less	243.46	163.24
	<u>472.00</u>	<u>237.41</u>

6 LOANS AND ADVANCES TO CUSTOMERS

At 30 September 2019

	<i>Stage 1:</i> 12-month ECL	<i>Stage 2:</i> Lifetime ECL not credit- impaired	<i>Stage 3:</i> Lifetime ECL credit- impaired	<i>Total</i>
<i>Loans and advances at amortised cost</i>				
Commercial loans and overdrafts	859.46	291.95	141.31	1,292.72
Consumer loans	521.61	16.24	11.37	549.22
	<u>1,381.07</u>	<u>308.19</u>	<u>152.68</u>	<u>1,841.94</u>
Less: allowance for expected credit losses	(4.88)	(29.05)	(93.65)	(127.58)
	<u>1,376.19</u>	<u>279.14</u>	<u>59.03</u>	<u>1,714.36</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

All figures in BD millions

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

At 31 December 2018

	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit- impaired	Stage 3: Lifetime ECL credit- impaired	Total
<i>Loans and advances at amortised cost</i>				
Commercial loans and overdrafts	916.26	286.43	140.36	1,343.05
Consumer loans	523.77	19.34	10.43	553.54
	<u>1,440.03</u>	<u>305.77</u>	<u>150.79</u>	<u>1,896.59</u>
Less: allowance for expected credit losses	(11.33)	(25.50)	(87.23)	(124.06)
	<u><u>1,428.70</u></u>	<u><u>280.27</u></u>	<u><u>63.56</u></u>	<u><u>1,772.53</u></u>

At 30 September 2019, interest in suspense on past due loans that are fully impaired was BD 19.05 million (31 December 2018: BD 15.91 million).

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 September 2019 was BD 70.35 million (31 December 2018: BD 59.82 million).

At 30 September 2019, loans and advances include Islamic financing facilities provided by the Group to corporates was BD 76.96 million (31 December 2018: BD 98.61 million). These mainly consists of Murabaha and Ijarah financing facilities.

During the nine-month period ended 30 September 2019, loans amounting to BD 14.41 million were written-off (30 September 2018: BD 14.69 million) and there were recoveries of BD 2.99 million (30 September 2018: BD 6.91 million).

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 capital securities of BD 86.10 million 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 21.52 million and share premium increased by BD 64.57 million.

8 SEASONAL RESULTS

Other income for the nine-month period ended 30 September 2019 includes BD 3.10 million (30 September 2018: BD 5.48 million) of dividend income, which is of a seasonal nature.

9 OTHER INCOME

Other income for the nine-month period ended 30 September 2019 includes gain of BD 1.91 million (30 September 2018: BD 3.20 million) relating to sale of investment securities.

10 TOTAL PROVISIONS - NET

	Reviewed 30 September 2019	<i>Reviewed 30 September 2018</i>
Loans and advances to customers	18.93	26.07
Investment securities	0.13	(0.20)
Acquired properties	0.50	-
Off balance sheet exposures	0.08	0.42
	<u>19.64</u>	<u>26.29</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

All figures in BD millions

11 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Nine-month ended</i>		<i>Three-month ended</i>	
	30 September 2019	<i>30 September 2018</i>	30 September 2019	<i>30 September 2018</i>
Profit for the period attributable to the owners of the Bank for basic and diluted earnings per share computation	55.49	48.42	15.45	13.61
Less: Distribution on perpetual tier 1 convertible capital securities	(3.55)	(3.55)	-	-
	51.94	44.87	15.45	13.61
Weighted average number of shares, net of treasury stock, outstanding during the period	1,189,199,278	1,077,902,350	1,285,388,806	1,077,902,350
Basic and diluted earnings per share (BD)	0.044	0.042	0.012	0.013

12 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.

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>
30 September 2019				
Loans and advances to customers	-	23.41	3.04	26.45
Investments in associated companies and joint ventures	-	63.55	-	63.55
Customers' current, savings and other deposits	201.85	1.50	10.03	213.38
31 December 2018				
Loans and advances to customers	-	23.41	3.04	26.45
Investments in associated companies and joint ventures	-	62.94	-	62.94
Customers' current, savings and other deposits	201.85	1.50	10.03	213.38

As at 30 September 2019, the Group carries ECL against related party exposures of BD 0.008 million (2018: BD 0.007 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

All figures in BD millions

12 RELATED PARTY TRANSACTIONS (continued)

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

<i>Nine-month period ended 30 September 2019</i>	<i>Major shareholders</i>	<i>Associated companies and joint venture</i>	<i>Directors and key management personnel</i>	<i>Total</i>
Interest and similar income	-	1.12	0.03	1.15
Interest and similar expense	4.19	0.07	0.12	4.38
Share of profit from associated companies and joint ventures	-	6.38	-	6.38
<i>Nine-month period ended 30 September 2018</i>	<i>Major shareholders</i>	<i>Associated companies and joint venture</i>	<i>Directors and key management personnel</i>	<i>Total</i>
Interest and similar income	-	1.01	0.02	1.03
Interest and similar expense	3.74	0.05	0.07	3.86
Share of profit from associated companies and joint ventures	-	2.47	-	2.47

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

	<i>Nine-month ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>
Salaries and other short term benefits	8.32	7.97
Post-employment benefits	0.31	0.33
Share based compensation	0.43	(0.18)
	9.06	8.12

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 September 2019 and 31 December 2018:

<i>30 September 2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Financial assets</i>				
Bonds	666.02	-	-	666.02
Equities	40.88	6.46	21.69	69.03
Managed funds	-	0.71	-	0.71
Derivatives held for trading	-	0.52	-	0.52
Derivatives held as fair value hedges	-	0.30	-	0.30
	706.90	7.99	21.69	736.58

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

All figures in BD millions

13 FINANCIAL INSTRUMENTS (continued)

30 September 2019	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivatives held for trading	-	0.97	-	0.97
Derivatives held as fair value hedges	-	36.77	-	36.77
	-	37.74	-	37.74
31 December 2018				
	Level 1	Level 2	Level 3	Total
Financial assets				
Bonds	587.11	-	0.08	587.19
Equities	38.26	6.48	21.69	66.43
Managed funds	-	0.82	-	0.82
Derivatives held for trading	-	0.47	-	0.47
Derivatives held as fair value hedges	-	10.80	-	10.80
	625.37	18.57	21.77	665.71
Financial liabilities				
Derivatives held for trading	-	0.46	-	0.46
Derivatives held as fair value hedges	-	4.34	-	4.34
	-	4.80	-	4.80

Transfers between level 1, level 2 and level 3

During the reporting year ended 30 September 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:

	30 September 2019			31 December 2018		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial assets						
Investment securities	145.57	145.41	(0.16)	145.83	144.14	(1.69)
Financial liabilities						
Term borrowings	333.04	335.09	2.05	144.54	140.62	(3.92)

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.