

KHALEEJI COMMERCIAL BANK BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 SEPTEMBER 2019

Commercial registration	:	55133 (registered with Central Bank of Bahrain as a retail Islamic bank).
Office	:	Bahrain Financial Harbour Harbour Tower East PO Box 60002, Manama, Kingdom of Bahrain
Directors	:	Jassim Mohamed Alseddiqi – Chairman Sh. Ahmed Bin Isa Khalifa Al Khalifa – Vice Chairman Hisham Ahmed Al Rayes Reyadh Eid Al Yaqoob Abdulla Abdulkarim Showaiter Dr. Khalid Mohammed Al Khazraji Mustafa Ghazi Kheriba Fawad Tariq Khan Yousef Ibrahim Al Ghanim Mohammad Abdulmohsen Al Rashed
Chief Executive Officer	:	Sattam Sulaiman Algozaibi
Company secretary	:	Mohammed Abdulla Saleh
Reviewing Auditors	:	KPMG Fakhro, Bahrain

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 November 2019

To
The Board of Directors
Khaleeji Commercial Bank BSC
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial information of Khaleeji Commercial Bank BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2019;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2019; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 condensed 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 Auditing standards for Islamic Financial Institutions 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 30 September 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2019

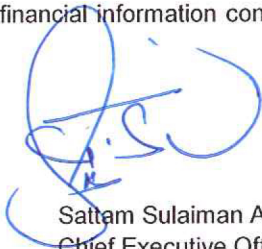
BD 000's

	Note	30 September 2019 (Reviewed)	31 December 2018 (Audited)
ASSETS			
Cash and bank balances		74,348	99,401
Placements with financial institutions		81,295	43,637
Financing assets	8	325,722	327,640
Investment in sukuk	9	190,514	161,324
Assets acquired for leasing		128,442	108,678
Lease rentals receivables		16,934	11,525
Investment in equity securities	10	45,656	50,039
Investment in real estate		18,081	18,081
Development property		6,251	6,251
Other assets		28,940	16,498
Property and equipment		7,611	7,865
Total assets		923,794	850,939
LIABILITIES			
Placements from financial institutions		163,767	158,349
Placements from non-financial institutions and individuals		134,758	120,470
Medium-term borrowing		-	41,357
Customers' current accounts		67,200	70,416
Other liabilities		14,737	10,512
Total liabilities		380,462	401,104
Equity of investment account holders		445,653	346,373
OWNERS' EQUITY			
Share capital		105,000	105,000
Statutory reserve		8,225	8,225
Treasury shares		(11,730)	(11,295)
Employee share incentive scheme		47	(29)
Accumulated losses		(6,111)	(729)
Total equity attributable to shareholders of the parent (page 4)		95,431	101,172
Non-controlling interest		2,248	2,290
Total liabilities, equity of investment account holders, owners' equity and non-controlling interest		923,794	850,939

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 18 on 6 November 2019 and signed on its behalf by:


Jassim Mohamed Alseddiqi
Chairman


Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman


Sattam Sulaiman Algozaibi
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2019

BD 000's

	Note	Nine months ended		Three months ended	
		30 September 2019 (Reviewed)	30 September 2018 (Reviewed)	30 September 2019 (Reviewed)	30 September 2018 (Reviewed)
Income from financing assets and assets acquired for leasing		23,154	19,173	8,541	6,625
Income from placements with financial institutions		2,003	693	582	279
Income from sukuks		7,377	4,269	2,563	1,629
Income from equity securities	10	(1,372)	1,277	(1,671)	3
Other income	14	5,099	2,033	1,048	729
Total income before return to investment account holders		36,261	27,445	11,063	9,265
Less: Return to investment account holders before Bank's share as Mudarib		(17,180)	(9,799)	(5,918)	(3,993)
Bank's share as a Mudarib		6,015	3,472	1,965	1,725
Return to investment account holders		(11,165)	(6,327)	(3,953)	(2,268)
Expense on placements from financial institutions, non-financial institutions and individuals		(9,337)	(5,301)	(3,129)	(1,987)
Finance expense on medium-term borrowing		(1,241)	(1,479)	(190)	(521)
Total income		14,518	14,338	3,791	4,489
Staff cost		5,555	5,512	1,611	1,644
Other expenses		3,822	3,697	1,471	1,204
Total expenses		9,377	9,209	3,082	2,848
Profit before impairment allowances		5,141	5,129	709	1,641
Impairment allowances	15	(10,398)	(3,448)	(6,133)	(1,317)
(LOSS) / PROFIT FOR THE PERIOD		(5,257)	1,681	(5,424)	324
Attributable to:					
Shareholders of the parent		(5,215)	1,740	(5,414)	341
Non-controlling interest		(42)	(59)	(10)	(17)
		(5,257)	1,681	(5,424)	324
Earnings per share					
Basic and diluted earnings per share (fils)		(5.537)	1.815	(5.753)	0.355

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019

BD 000's

	Equity attributable to shareholders of the parent					Non-Controlling interest	Total equity	
	Share Capital	Statutory reserve	Treasury shares	Employee share incentive scheme	Accumulated losses			Total
30 September 2019 (Reviewed)								
Balance at 1 January 2019	105,000	8,225	(11,295)	(29)	(729)	101,172	2,290	103,462
Loss for the period	-	-	-	-	(5,215)	(5,215)	(42)	(5,257)
Purchase of Treasury shares	-	-	(435)	-	-	(435)	-	(435)
Issue of shares under incentive scheme	-	-	-	76	20	96	-	96
Transfer to Zakah fund	-	-	-	-	(187)	(187)	-	(187)
Balance at 30 September 2019	105,000	8,225	(11,730)	47	(6,111)	95,431	2,248	97,679

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019 (Continued)

BD 000's

	Equity attributable to shareholders of the parent						Non-Controlling interest	Total equity	
	Share Capital	Statutory reserve	Treasury shares	Employee share incentive scheme	Investment fair value reserve	Retained earnings			Total
30 September 2018 (Reviewed)									
Balance at 1 January 2018 (as previously reported)	105,000	8,159	(10,212)	(70)	-	10,162	113,039	2,645	115,684
Impact of adopting FAS 30	-	-	-	-	-	(11,069)	(11,069)	-	(11,069)
Restated balance at 1 January 2018	105,000	8,159	(10,212)	(70)	-	(907)	101,970	2,645	104,615
Profit for the period	-	-	-	-	-	1,740	1,740	(59)	1,681
Purchase of Treasury shares	-	-	(360)	-	-	-	(360)	-	(360)
Issue of shares under incentive scheme	-	-	-	41	-	42	83	-	83
Loss of Control	-	-	-	-	-	(24)	(24)	(270)	(294)
Transfer to Zakah fund	-	-	-	-	-	(441)	(441)	-	(441)
Balance at 30 September 2018	105,000	8,159	(10,572)	(29)	-	410	102,968	2,316	105,284

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2019

BD 000's

	Nine months ended 30 September 2019 (Reviewed)	Nine months ended 30 September 2018 (Reviewed)
OPERATING ACTIVITIES		
Receipts from financing assets, net	954	34,305
(Payment for) / Receipts asset acquired for leasing, net	(19,656)	4,402
Income from short-term placements received	2,003	688
Returns paid to investment account holders	(7,923)	(5,459)
Receipt from / (Payment) to investment account holders, net	99,279	(12,502)
Payment for expenses	(7,794)	(7,746)
Other receipts	3,334	2,055
Contributions paid to charitable organisation	(18)	(6)
Withdrawals from customers' current accounts, net	(3,216)	(12,341)
Placements /(Withdrawals) from financial institutions, net	5,418	(17,925)
Placements from non-financial institutions, net	14,288	51,899
Net payment to CBB reserve account	(4,963)	(3,005)
Finance expense on placements paid	(9,337)	(5,301)
Income from sukuk received	7,576	4,815
Net cash from operating activities	79,945	33,879
INVESTING ACTIVITIES		
Purchase of sukuk	(32,952)	(36,951)
Proceeds from redemption / sale of sukuk	3,469	14,721
Dividend from equity securities received	288	1,319
Purchase of property and equipment	(169)	(393)
Net cash used in investing activities	(29,364)	(21,304)
FINANCING ACTIVITIES		
Treasury shares, net	(350)	(384)
Repayment of medium-term borrowing	(42,598)	(1,448)
Net cash used in financing activities	(42,948)	(1,832)
Net increase in cash and cash equivalents	7,633	10,743
Cash and cash equivalents at beginning of the period	121,171	91,248
Cash and cash equivalents at end of the period	128,804	101,991
Cash and cash equivalents comprise:		
Cash and bank balances (excluding CBB reserve)	48,565	71,762
Placement with financial institutions	80,239	30,229
	128,804	101,991

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2019

30 September 2019
(Reviewed)

	Balance at 1 January 2019			Movements during the period						Balance at 30 September 2019		
	No of units (000)	Average value per share BD	Total BD 000's	Investment / (withdrawals) BD 000's	Revaluation BD 000's	Gross income BD 000's	Dividends paid BD 000's	Bank's fees as an agent BD 000's	Adminstration expenses BD 000's	No of units (000)	Average value per share BD	Total BD 000's
Safana Investment WLL (RIA 1) and NS 12	6,254	1.00	6,254	-	-	-	-	-	-	6,254	1.00	6,254
Shaden Real Estate Investment WLL (RIA 5)	3,434	1.00	3,434	-	-	-	-	-	-	3,434	1.00	3,434
Locata Corporation Pty Ltd (RIA 6)	2,633	0.38	993	-	-	-	-	-	-	2,633	0.38	993
			10,681	-	-	-	-	-	-			10,681

30 September 2018 (Reviewed)

	Balance at 1 January 2018			Movements during the period						Balance at 30 September 2018		
	No of units (000)	Average value per share BD	Total BD 000's	Investment / (withdrawals) BD 000's	Revaluation BD 000's	Gross income BD 000's	Dividends paid BD 000's	Bank's fees as an agent BD 000's	Adminstration expenses BD 000's	No of units (000)	Average value per share BD	Total BD 000's
Safana Investment WLL (RIA 1) and NS 12	6,254	1.00	6,254	-	-	-	-	-	-	6,254	1.00	6,254
Shaden Real Estate Investment WLL (RIA 5)	3,529	1.00	3,529	-	-	-	-	-	-	3,529	1.00	3,529
Locata Corporation Pty Ltd (RIA 6)	2,633	0.38	993	-	-	-	-	-	-	2,633	0.38	993
			10,776	-	-	-	-	-	-			10,776

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND

for the nine months ended 30 September 2019

BD 000's

	Nine months ended 30 September 2019 (Reviewed)	Nine months ended 30 September 2018 (Reviewed)
Sources of zakah and charity fund		
At 1 January	708	674
Contributions by the bank	187	441
Non-Islamic income	14	15
Total sources	909	1,130
Uses of zakah and charity fund		
Contributions to charitable organisations	(18)	(6)
Total uses	(18)	(6)
Undistributed zakah and charity fund at end of the period	891	1,124

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019**

BD 000's

1 Reporting entity

Khaleeji Commercial Bank BSC (“the Bank”), a public shareholding company, was incorporated on 24 November 2004 in the Kingdom of Bahrain under Commercial Registration No. 55133. The Bank operates under an Islamic retail license granted by the Central Bank of Bahrain (“CBB”). The Bank is listed on the Bahrain Bourse. The condensed consolidated interim financial information comprises financial information of the Bank and its subsidiaries (together “the Group”).

2 Basis of preparation and presentation

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards (“IFRS”). Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’.

The condensed consolidated 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 consolidated financial statements of the Bank for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the group audited consolidated financial statements as at and for the year ended 31 December 2018.

4 Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2018. As of 30 September 2019, the total equity of the Bank is below the required minimum capital of BD 100 mn as required under the LR module of volume 2 of the rule book issued by CBB. The management of the Bank is currently evaluating options to raise capital and increase the total equity above the minimum requirements prescribed by CBB. Notwithstanding this, the Bank’s regulatory capital adequacy ratio as of 30 September 2019 was 16.55% which is above the minimum ratio required by the CBB.

5 Estimates

Preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were same as applied to the consolidated financial statements as at and for the year ended 31 December 2018.

6 The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2018 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows, changes in restricted investment accounts and sources and uses of zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the nine months ended 30 September 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

BD 000's

7 Seasonality

The Bank does not have significant income of a seasonal nature.

8 Financing Assets

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Murabaha	344,985	338,012
Musharaka	2,351	3,541
Wakala	5,007	5,007
Mudharaba	1,047	1,049
Istisna	1,131	2,054
	354,521	349,663
Less: Impairment allowances	(28,799)	(22,023)
	325,722	327,640

Murabaha financing receivables are net of deferred profits of BD 27,998 thousand (2018: BD 25,088 thousand).

The movement on impairment allowances is as follows:

2019	Stage 1	Stage 2	Stage 3	Total
At 1 January 2019	4,762	3,695	13,566	22,023
Net movement between stages	(977)	(308)	1,285	-
Net charge for the period	9	192	6,575	6,776
At 30 September 2019	3,794	3,579	21,426	28,799

9 Investment in Sukuk

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Debt type instruments - at amortised cost:		
- Quoted sukuk	190,531	161,327
- Unquoted sukuk	1,317	1,317
Less: impairment allowance	(1,334)	(1,320)
	190,514	161,324

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

BD 000's

10 Investment in equity securities

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
<i>At fair value through income statement:</i>		
- Unquoted equity securities (at fair value) ⁽¹⁾	11,475	13,148
<i>At fair value through equity:</i>		
- Unquoted equity securities ⁽²⁾	51,929	51,972
Less: Impairment allowances	(17,748)	(15,081)
	45,656	50,039

⁽¹⁾ The fair value movement for the period was BD 1,673 thousand (2018:Nil).

⁽²⁾ These investments are carried at cost less impairment in the absence of a reliable measure of fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

BD 000's

11 Significant related party transactions

The significant related party transactions and balances included in this condensed consolidated interim financial information are as follows:

30 September 2019 (Reviewed)	Associates	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Assets					
Financing assets	-	2,119	5,710	-	7,829
Investment in equity securities	-	-	2,284	19,905	22,189
Other assets	4,645	-	-	1,008	5,653
Liabilities					
Placement with financial institutions	-	1,795	82,925	-	84,720
Customers' current accounts	63	140	5,061	1,206	6,470
Equity of investment account holders	419	711	89,246	416	90,792

Nine months ended 30 September 2019 (Reviewed)	Associates	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from financing assets and assets acquired for leasing	(42)	96	279	-	333
Expenses					
Expense on placements from financial institutions, non-financial institutions and individuals	-	65	2,800	-	2,865
Return to investment account holders	12	15	2,603	9	2,639
Investment related expenses	-	-	-	27	27
Staff cost	-	863	-	-	863

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

BD 000's

11 *Significant related party transactions (continued)*

31 December 2018 (Audited)	Associates	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Assets					
Financing assets	-	2,268	5,710	-	7,978
Investment securities	-	-	2,284	20,719	23,003
Other assets	117	-	-	853	970
Liabilities					
Placement with financial institutions	-	-	93,917	-	93,917
Customers' current accounts	67	798	695	1,205	2,765
Equity of investment account holders	480	1,370	10,779	468	13,097

Nine months ended 30 September 2018 (Reviewed)	Associates	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from financing assets and assets acquired for leasing	-	100	279	-	379
Fees and other income	(18)	-	-	-	(18)
Expenses					
Expense on placements from financial institutions, non-financial institutions and individuals	-	-	1,133	-	1,133
Return to investment account holders	9	52	217	8	286
Investment related expenses	-	-	-	37	37
Staff cost	-	894	-	-	894
Other expenses	-	-	-	-	-

12 **Commitments and contingencies:**

	30 September 2019 (Reviewed)	31 December 2018 (Audited)
Undrawn commitments to extend finance	73,159	33,193
Financial guarantees	12,633	12,864

13 Appropriations of net profit, if any, are made only after obtaining approval of the shareholders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

BD 000's

14 **Other income**

Includes recovery during the period of BD 2,767 thousand (2018: Nil) from financing assets written off in prior years.

15 **Impairment Allowance**

	30 September 2019 (Reviewed)	30 September 2018 (Reviewed)
Balances and placements with banks and financial institutions	(46)	1
Financing Assets (note 8)	6,776	1,592
Investments in sukuk	15	(5)
Assets acquired for leasing (including lease rentals receivables)	1,027	603
Commitments and financial guarantees	(42)	(77)
Investments in equity securities at fair value through equity	2,668	1,334
	10,398	3,448

Movement on ECL in various stages during the period:

30 September 2019

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January	5,099	3,918	17,214	26,231
Transfer to Stage 1	266	(113)	(153)	-
Transfer to Stage 2	(401)	489	(88)	-
Transfer to Stage 3	(847)	(751)	1,598	-
Net movement	(982)	(375)	1,357	-
Charge for the period (net)	(105)	677	7,158	7,730
Closing balance as at 30 September	4,012	4,220	25,729	33,961

16 **Assets under management**

The Bank provides corporate administration, investment management and advisory services to its investment entities, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of BD 262.10 million (31 December 2018: BD 265.03 million). During the year, the Bank has not charged any management fees (2018: BD Nil) for the management of these assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

BD 000's

17 **Segment information**

30 September 2019 (Reviewed)	Corporate and Retail Banking	Investment Banking	Unallocated	Total
Segment revenue	37,507	(1,246)	-	36,261
Segment results	5,073	(4,541)	(5,789)	(5,257)
Segment assets	821,416	88,965	13,413	923,794

30 September 2018 (Reviewed)	Corporate and Retail Banking	Investment Banking	Unallocated	Total
Segment revenue	26,217	1,228	-	27,445
Segment results	8,131	(721)	(5,729)	1,681
Segment assets	691,248	85,400	8,874	785,522

18 **Financial instruments****Fair values**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

(i) Financial instruments at fair value:

The table below analyses the financial instruments carried at fair value, by valuation method.

30 September 2019	Level 1	Level 2	Level 3	Total
Unquoted equity type securities carried at fair value through income statement	-	-	11,475	11,475
	-	-	11,475	11,475

31 December 2018	Level 1	Level 2	Level 3	Total
Unquoted equity type securities carried at fair value through income statement	-	-	13,148	13,148
	-	-	13,148	13,148

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

BD 000's

18 *Financial instruments (continued)*

The following table analyses the movement in Level 3 financial assets during the nine month period ended 30 September 2019:

	30 September 2019 (Reviewed)	30 September 2018 (Reviewed)
At 1 January	13,148	13,148
Total losses in income statement	(1,673)	-
Purchases	-	-
Settlements	-	-
Transfers into (out) of Level 3	-	-
	11,475	13,148

During the nine month period ended 30 September 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

(ii) Financial Instruments not at fair value

Set out below is a comparison of the carrying amounts and fair values of financial instruments:

30 September 2019	Carrying amount (reviewed)	Fair value (reviewed)
Financial assets:		
Financing assets	325,722	325,722
Investment in sukuk	190,514	190,514
Investment in equity securities ⁽¹⁾	11,475	11,475
Assets acquired for leasing	128,442	128,442
Lease rentals receivables	16,934	16,934
	673,087	673,087
Financial liabilities:		
Customers' current accounts	67,200	67,200
	67,200	67,200

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18 *Financial instruments (continued)*

31 December 2018	Carrying amount (Audited)	Fair value (Audited)
Financial assets:		
Financing assets	327,640	327,640
Investment in sukuk	161,324	161,324
Investment in equity securities ⁽¹⁾	13,148	13,148
Assets acquired for leasing	108,678	108,678
Lease rentals receivables	11,525	11,525
	622,315	622,315
Financial liabilities:		
Customers' current accounts	70,416	70,416
	70,416	70,416

⁽¹⁾ Excludes investment securities of BD 34,181 thousand (31 December 2018: BD 36,891 thousand) carried at cost less impairment due to the absence of a reliable measure of fair value.

Valuation techniques

Investment securities

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument.

For certain unquoted investments, the Group uses proprietary models, which usually are developed from recognised valuation models for fair valuation. Some or all of the inputs into these models may not be market observable, but are estimated based on assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Valuation adjustments are recorded to allow for bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state the values of these investments.

The potential effect of using reasonable possible alternative assumptions for valuing the investments resulting in 5% decrease / increase in the market multiple would increase / decrease the reported fair value by BD 574 thousand (2018: BD 657 thousand). The corresponding impact would be on the profit or loss reported by the Group.

Financing assets

In case of financing assets and assets acquired for leasing, the average profit rate of the portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges, it is expected that the current value would not be materially different from fair value of these assets.

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*18 Financial Instruments (continued)**Other financial instruments*

Placements with financial institutions and placements from financial institutions are for short term tenure hence their carrying value is not different from the fair value. Placements from non-financial institutions and individuals which are not short term are re-priced at regular intervals hence carrying value reflects the fair value. Fair value of other financial assets and liabilities are not significantly different from their carrying values due to their short term nature.