KHALEEJI COMMERCIAL BANK BSC
30 JUNE 2017
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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	:	Dr. Ahmed Al-Mutawa – Chairman Abdulkarim Ahmed Bucheery – Vice Chairman Hisham Al Rayes Sh. Ahmed Bin Isa Khalifa Al Khalifa Abdulla Abdulkarim Showaiter Dr. Khalid Mohammed Al Khazraji Khaleefa Yousef Al Mheiri Yousef Ibrahim Al Ghanim Mohammad Abdulmohsen Al Rashed
Acting Chief Executive Officer	:	Tawfeeq Mohamed Al Bastaki
Company secretary	:	Mohammed Abdulla Saleh
Reviewing Accountants	:	KPMG Fakhro, Bahrain

KHALEEJI COMMERCIAL BANK BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2017

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

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

Introduction

We have reviewed the accompanying 30 June 2017 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 June 2017;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2017;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2017
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2017;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2017;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 2017; 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 consolidated 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 June 2017 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.

KPMG

7 August 2017

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2017 BD 000's

	Note	30 June 2017 (Reviewed)	31 December 2016 (Audited)
ASSETS			
Cash and bank balances		58,510	56,006
Placements with financial institutions		63,316	78,714
Financing assets	8	363,327	355,377
Investment in sukuk	9	93,080	74,154
Assets acquired for leasing		100,047	92,839
Lease rentals receivables		4,009	2,573
Investment in equity securities	10	55,499	55,121
Investment property		21,751	21,508
Development property		6,003	6,003
Other assets		15,396	14,496
Property and equipment		8,198	8,208
Total assets		**789,136**	764,999
LIABILITIES			
Placements from financial institutions		97,199	59,079
Placements from non-financial institutions and individuals		95,480	100,649
Customers' current accounts		86,552	75,814
Other liabilities		7,596	8,311
Total liabilities		**286,827**	243,853
Equity of investment account holders		**383,160**	404,651
OWNERS' EQUITY			
Share capital		105,000	105,000
Statutory reserve		7,962	7,962
Treasury shares		(8,832)	(8,832)
Employee share incentive scheme		(111)	(182)
Investment fair value reserve		(23)	-
Retained earnings		11,448	8,751
Total equity attributable to shareholders of the parent (page 4)		**115,444**	112,699
Non-controlling interest		3,705	3,796
Total liabilities, equity of investment account holders and owners' equity		**789,136**	764,999

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 16 on 7 August 2017 and signed on its behalf by:

Dr. Ahmed Khalil Al Mutawa
Chairman

Tawfeeq Mohamed Al Bastaki
Acting Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2017 BD 000's

	Note	Six months ended		Three months ended	
		30 June 2017 (Reviewed)	30 June 2016 (Reviewed)	**30 June 2017** (Reviewed)	30 June 2016 (Reviewed)
Income from financing assets and assets acquired for leasing		13,475	12,715	6,870	6,621
Income from placements with financial institutions		360	341	177	167
Income from sukuks		2,225	1,351	1,267	499
Income from equity securities		335	319	327	147
Other income		1,723	1,905	890	949
Total income before return to investment account holders		**18,118**	16,631	**9,531**	8,383
Less: Return to investment account holders before Bank's share as Mudarib		(8,302)	(8,188)	(4,148)	(4,352)
Bank's share as a Mudarib		4,464	4,748	2,248	2,598
Return to investment account holders		**(3,838)**	(3,440)	**(1,900)**	(1,754)
Expense on placements from financial institutions, non-financial institutions and individuals		(2,052)	(1,195)	(1,059)	(647)
Total income		**12,228**	11,996	**6,572**	5,982
Staff cost		3,800	3,556	2,208	1,986
Other expenses		2,808	2,675	1,418	1,497
Total expenses		**6,608**	6,231	**3,626**	3,483
Profit before impairment allowances		**5,620**	5,765	**2,946**	2,499
Impairment allowances	11	(2,653)	(1,592)	(1,426)	(1,161)
PROFIT FOR THE PERIOD		**2,967**	4,173	**1,520**	1,338
Attributable to:					
Shareholders of the parent		3,058	4,217	1,560	1,371
Non-controlling interest		(91)	(44)	(40)	(33)
		2,967	4,173	**1,520**	1,338
Earnings per share					
Basic and diluted earnings per share (fils)		**3.165**	4.301	**1.615**	1.384

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2017 BD 000's

30 June 2017 (Reviewed)	**Equity attributable to shareholders of the parent**								
	Share Capital	**Statutory reserve**	**Treasury shares**	**Employee share incentive scheme**	**Investment fair value reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
Balance at 1 January 2017:	105,000	7,962	(8,832)	(182)	-	8,751	112,699	3,796	116,495
Profit for the period	-	-	-	-	-	3,058	3,058	(91)	2,967
Changes in fair value of equity-type sukuk	-	-	-	-	(23)	-	(23)	-	(23)
Total recognised income and expense for the period	**-**	**-**	**-**	**-**	**(23)**	**3,058**	**3,035**	**(91)**	**2,944**
Issue of shares under incentive scheme	-	-	-	71	-	-	71	-	71
Transfer to Zakah fund	-	-	-	-	-	(361)	(361)	-	(361)
Balance at 30 June 2017	**105,000**	**7,962**	**(8,832)**	**(111)**	**(23)**	**11,448**	**115,444**	**3,705**	**119,149**

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2017 *(Continued)* BD 000's

30 June 2016 (Reviewed)	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		
Balance at 1 January 2016:	100,000	7,411	(8,136)	(284)	(86)	8,998	107,903	3,798	111,701
Changes in fair value of investments in equity securities	-	-	-	-	322	-	322	-	322
Disposal of equity securities	-	-	-	-	(236)	-	(236)	-	(236)
Profit for the period	-	-	-	-	-	4,217	4,217	(44)	4,173
Total recognised income and expense for the period	-	-	-	-	86	4,217	4,303	(44)	4,259
Issue of Bonus shares	5,000	-	-	-	-	(5,000)	-	-	-
Transfer to statutory reserve	-	20	-	-	-	(20)	-	-	-
Net treasury shares purchased	-	-	(696)	-	-	-	(696)	-	(696)
Issue of shares under incentive scheme	-	-	-	158	-	-	158	-	158
Transfer to Zakah fund	-	-	-	-	-	(6)	(6)	-	(6)
Balance at 30 June 2016	105,000	7,431	(8,832)	(126)	-	8,189	111,662	3,754	115,416

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2017 BD 000's

	Six months ended 30 June 2017 (Reviewed)	Six months ended 30 June 2016 (Reviewed)
OPERATING ACTIVITIES		
Receipts / (payments for) financing assets, net	2,492	(20,874)
Payment for asset acquired for leasing, net	(8,798)	(21,401)
Income from short-term placements received	360	341
Returns paid to investment account holders	(4,624)	(4,192)
Payment to investment account holders, net	(21,492)	(8,732)
Payment for expenses	(6,510)	(5,408)
Other receipts	1,703	1,905
Contributions paid to charitable organisations	(363)	(35)
Net receipts in / (payment to) customers' current accounts	10,739	(10,710)
Placements from financial institutions, net	38,120	14,363
Placements from non-financial institutions and individuals, net	(5,169)	11,187
Net withdrawal from / (payment to) CBB reserve account	940	(815)
Finance expense on placements paid	(2,052)	(1,195)
Income from sukuk received	1,844	1,166
Net cash generated from / (used in) operating activities	**7,190**	(44,400)
INVESTING ACTIVITIES		
Purchase of sukuk	(27,829)	(9,701)
Purchase of equity securities	-	(84)
Proceed from redemption / sale of sukuk	8,712	17,643
Proceed from redemption of equity securities	140	12,383
Proceed from disposal of investment property	-	779
Income from equity securities received	25	347
Purchase of property and equipment	(192)	(9)
Net cash (used in) / generated from investing activities	**(19,144)**	21,358
FINANCING ACTIVITIES		
Payment for treasury shares	-	(659)
Net cash used in financing activities	**-**	(659)
Net decrease in cash and cash equivalents	**(11,954)**	(23,701)
Cash and cash equivalents at beginning of the period	114,865	66,369
Cash and cash equivalents at end of the period	**102,911**	42,668
Cash and cash equivalents comprise:		
Cash and bank balances (excluding CBB reserve)	39,595	7,795
Placement with financial institutions	63,316	34,873
	102,911	42,668

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2017

30 June 2017 (Reviewed)	**Balance at 1 January 2017**			**Movements during the period**						**Balance at 30 June 2017**		
	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	6,304	1.00	6,304	(50)	-	-	-	-	-	6,254	1.00	6,254
Shaden Real Estate Investment WLL (RIA 5)	3,652	1.00	3,652	(113)	-	-	-	-	-	3,539	1.00	3,539
Locata Corporation Pty Ltd (RIA 6)	2,633	0.38	993	-	-	-	-	-	-	2,633	0.38	993
			10,949	**(163)**	**-**	**-**	**-**	**-**	**-**			**10,786**

30 June 2016 (Reviewed)	Balance at 1 January 2016			Movements during the period						Balance at 30 June 2016		
	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)	8,313	1.00	8,313	-	-	-	-	-	-	8,313	1.00	8,313
Janayen Holding Limited (RIA 4)	48,082	0.18	8,500	(8,500)	-	-	-	-	-	-	-	-
Shaden Real Estate Investment WLL (RIA 5)	3,728	1.00	3,728	(76)	-	-	-	-	-	3,652	1.00	3,652
Locata Corporation Pty Ltd (RIA 6)	2,633	0.38	993	-	-	-	-	-	-	2,633	0.38	993
			21,534	(8,576)	-	-	-	-	-			12,958

The condensed consolidated interim financial information consists of pages 2 to 16.

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

for the six months ended 30 June 2017 BD 000's

	Six months ended 30 June 2017 (Reviewed)	Six months ended 30 June 2016 (Reviewed)
Sources of zakah and charity fund		
At 1 January	723	727
Contributions by the bank	360	-
Non-Islamic income	9	24
Total sources	**1,092**	751
Uses of zakah and charity fund		
Contributions to charitable organisations	(363)	(35)
Total uses	**(363)**	(35)
Undistributed zakah and charity fund at end of the period	**729**	716

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2017 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 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 2016. 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 2016.

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 audited financial statements as at and for the year ended 31 December 2016.

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 2016.

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 2016.

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 2016 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows, changes in restricted investment accounts and sources and uses of charity and zakah fund have been extracted from the reviewed condensed consolidated interim financial information for the six-months ended 30 June 2016.

7 **Seasonality**

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

8 **Financing Assets**

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Murabaha	352,452	334,632
Musharaka	8,558	8,765
Wakala	21,712	29,386
Mudharaba	1,158	1,155
Istisna	-	7
	383,880	373,945
Less: Impairment allowances – specific	(17,071)	(15,164)
Less: Impairment allowances – collective	(3,482)	(3,404)
	363,327	355,377

Murabaha financing receivables are net of deferred profits of BD 29,337 thousand (2016: BD 31,004 thousand).

9 **Investment in Sukuk**

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Debt type Sukuk:		
- Quoted sukuk *(at amortised cost)*	88,757	73,443
- Unquoted sukuk *(at amortised cost)*	459	711
Equity type Sukuk:		
- Quoted sukuk *(at fair value through equity)*	3,864	-
	93,080	74,154

10 **Investment in equity securities**

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Fair value through income statement:		
- Unquoted equity securities	15,148	15,148
Fair value through equity:		
- Unquoted equity securities (carried at cost less impairment)*	40,351	39,973
	55,499	55,121

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

11 Impairment allowances

	30 June 2017 (Reviewed)	30 June 2016 (Reviewed)
Financing assets		
- Charge for specific provision, net	2,252	1,344
- Charge for collective provision, net	157	315
Investment in equity securities		
- Charge / (write back) of specific provision	33	(264)
Investment in Sukuk		
- Charge for specific provision	168	197
Other assets		
- Charge for specific provision	43	-
	2,653	1,592

12 Significant related party transactions

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

30 June 2017 (Reviewed)	Associates	Directors / key management personnel and Shari'a board Members	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Assets					
Financing assets	-	967	5,710	-	6,677
Investment securities	130	-	2,284	24,201	26,615
Other assets	4,740	-	-	1,116	5,856
Liabilities					
Customers' current accounts	61	-	2,528	1,359	3,948
Equity of investment account holders	661	170	14,068	920	15,819

Six months ended 30 June 2017 (Reviewed)	Associates	Directors / key management personnel and Shari'a board Members	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	-	16	146	-	162
Expenses					
Return to investment account holders	8	2	78	10	98
Staff cost	-	908	-	-	908
Other expenses	-	-	-	76	76

12 Significant related party transactions (continued)

31 December 2016 (Audited)	Associates	**Directors / key management personnel and Shari'a board Members**	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Assets					
Investment securities	127	-	2,284	25,387	27,798
Other assets	4,678	-	-	918	5,596
Liabilities					
Customers' current accounts	10	-	88	1,903	2,001
Equity of investment account holders	446	150	19,935	917	21,448

Six months ended 30 June 2016 (Reviewed)	Associates	Directors / key management personnel and Shari'a board Members	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	6	-	-	-	6
Other income	-	-	-	190	190
Expenses					
Return to investment account holders	1	1	19	8	29
Staff cost	-	528	-	-	528
Other expenses	-	-	-	117	117

13 **Commitments and contingencies:**

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Undrawn commitments to extend finance	42,275	65,797
Financial guarantees	22,888	22,669

14 Appropriations of net profit, if any, are made only at the year end.

15 **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 condensed consolidated interim financial information.

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Restricted investment accounts	10,786	10,949
Other assets under management	171,533	171,533

16 **Segment information**

30 June 2017 (Reviewed)	**Investment Banking**	**Corporate and Retail Banking**	**Unallocated**	**Total**
Segment revenue	397	17,721	-	**18,118**
Segment results	(214)	6,903	(3,722)	**2,967**
Segment assets	91,685	687,788	9,663	**789,136**

30 June 2016 (Reviewed)	Investment Banking	Corporate and Retail Banking-	Unallocated	Total
Segment revenue	377	16,254	-	16,631
Segment results	168	7,581	(3,576)	4,173
Segment assets	89,321	564,805	9,230	663,356

17 **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.

17 Financial instruments (continued)

(i) Financial instruments at fair value:

The table below analyses the financial instruments carried at fair value, by level of hierarchy

30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Unquoted equity securities carried at fair value through income statement	-	-	15,148	15,148
Equity type sukuk carried at fair value through equity	3,864	-	-	3,864
	3,864	**-**	**15,148**	**19,012**

31 December 2016	Level 1	Level 2	Level 3	Total
Unquoted equity securities carried at fair value through income statement	-	-	15,148	15,148
	-	-	15,148	15,148

The following table analyses the movement in Level 3 financial assets during the period:

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
At beginning of the period	15,148	15,148
Gains (losses) in income statement	-	-
Purchases	-	-
Settlements	-	-
Transfers into (out) of Level 3	-	-
At the end of the period	**15,148**	15,148

During the six month period ended 30 June 2017, 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.

17 Financial Instruments (continued)

(ii) Financial Instruments not at fair value

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

30 June 2017	Carrying amount (Reviewed)	Fair value (Reviewed)
Financial assets:		
Financing assets	363,327	363,327
Investment in sukuk	89,216	87,587
Assets acquired for leasing	100,047	100,047
Lease rentals receivables	4,009	4,009
	556,599	**554,970**
Financial liabilities:		
Customers' current accounts	86,552	86,552
	86,552	**86,552**

31 December 2016	Carrying amount (Audited)	Fair value (Audited)
Financial assets:		
Financing assets	355,377	355,377
Investment in sukuk	74,154	74,154
Assets acquired for leasing	92,839	92,839
Lease rentals receivables	2,573	2,573
	524,943	524,943
Financial liabilities:		
Customers' current accounts	75,814	75,814
	75,814	75,814

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.

17 Financial Instruments (continued)

Valuation techniques (continued)

Investment securities amounting to BD 40,351 thousand (31 December 2016: BD 39,973 thousand) carried at cost less impairment due to absence of reliable measure of fair value.

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 734 thousands. The corresponding impact would be on the profit or loss reported by the Group.

Financing assets
In case of financing assets and lease receivables, 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 to fair value of these assets.

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.