# KHALEEJI COMMERCIAL BANK BSC

# CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

# 30 JUNE 2019

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

**KHALEEJI COMMERCIAL BANK BSC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**
**for the six months ended 30 June 2019**

**CONTENTS** **Page**


| | |
|---|---|
| Independent auditors' report on review of condensed consolidated interim financial information | 1 |
| **Condensed consolidated interim financial information** | |
| Condensed consolidated statement of financial position | 2 |
| Condensed consolidated income statement | 3 |
| Condensed consolidated statement of changes in equity | 4-5 |
| Condensed consolidated statement of cash flows | 6 |
| Condensed consolidated statement of changes in restricted investment accounts | 7 |
| Condensed consolidated statement of sources and uses of zakah and charity fund | 8 |
| Notes to the condensed consolidated interim financial information | 9-17 |

KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: www.kpmg.com/bh
CR No. 6220



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

31 July 2019

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

**Introduction**
We have reviewed the accompanying 30 June 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 June 2019;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2019;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2019;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2019;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 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 June 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.

kpmg

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

BD 000's

| | Note | 30 June 2019 (Reviewed) | 31 December 2018 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | | 76,271 | 99,401 |
| Placements with financial institutions | | 111,072 | 43,637 |
| Financing assets | 8 | 343,183 | 327,640 |
| Investment in sukuk | 9 | 181,702 | 161,324 |
| Assets acquired for leasing | | 118,577 | 108,678 |
| Lease rentals receivables | | 14,162 | 11,525 |
| Investment in equity securities | 10 | 49,807 | 50,039 |
| Investment in real estate | | 18,081 | 18,081 |
| Development property | | 6,251 | 6,251 |
| Other assets | | 30,284 | 16,498 |
| Property and equipment | | 7,688 | 7,865 |
| **Total assets** | | **957,078** | 850,939 |
| **LIABILITIES** | | | |
| Placements from financial institutions | | 152,035 | 158,349 |
| Placements from non-financial institutions and individuals | | 128,734 | 120,470 |
| Medium-term borrowing | | 34,571 | 41,357 |
| Customers' current accounts | | 65,342 | 70,416 |
| Other liabilities | | 16,248 | 10,512 |
| **Total liabilities** | | **396,930** | 401,104 |
| **Equity of investment account holders** | | **457,030** | 346,373 |
| **OWNERS' EQUITY** | | | |
| Share capital | | 105,000 | 105,000 |
| Statutory reserve | | 8,225 | 8,225 |
| Treasury shares | | (11,715) | (11,295) |
| Employee share incentive scheme | | 47 | (29) |
| Accumulated losses | | (697) | (729) |
| **Total equity attributable to shareholders of the parent** (page 4) | | **100,860** | 101,172 |
| Non-controlling interest | | **2,258** | 2,290 |
| **Total liabilities, equity of investment account holders, owners' equity and non-controlling interest** | | **957,078** | 850,939 |

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 17 on 31 July 2019 and signed on its behalf by:

Jassim Mohamed Alseddiqi
Chairman

Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman

Sattam Sulaiman Algosaibi
Chief Executive Officer

**CONDENSED CONSOLIDATED INCOME STATEMENT**
**for the six months ended 30 June 2019** BD 000's

| | Note | Six months ended | | Three months ended | |
|---|---|---|---|---|---|
| | | **30 June 2019** (Reviewed) | 30 June 2018 (Reviewed) | **30 June 2019** (Reviewed) | 30 June 2018 (Reviewed) |
| Income from financing assets and assets acquired for leasing | | 14,613 | 12,548 | 7,337 | 6,326 |
| Income from placements with financial institutions | | 1,421 | 414 | 715 | 199 |
| Income from sukuks | | 4,814 | 2,640 | 2,444 | 1,362 |
| Income from equity securities | | 299 | 1,274 | 313 | 1,265 |
| Other income | 14 | 4,051 | 1,304 | 3,375 | 615 |
| **Total income before return to investment account holders** | | **25,198** | 18,180 | **14,184** | 9,767 |
| Less: Return to investment account holders before Bank's share as Mudarib | | (11,262) | (5,806) | (5,772) | (2,857) |
| Bank's share as a Mudarib | | 4,050 | 1,747 | 1,876 | 888 |
| **Return to investment account holders** | | **(7,212)** | (4,059) | **(3,896)** | (1,969) |
| Expense on placements from financial institutions, non-financial institutions and individuals | | (6,208) | (3,314) | (3,181) | (1,714) |
| Finance expense on medium-term borrowing | | (1,051) | (958) | (492) | (500) |
| **Total income** | | **10,727** | 9,849 | **6,615** | 5,584 |
| Staff cost | | 3,944 | 3,868 | 2,266 | 2,290 |
| Other expenses | | 2,351 | 2,493 | 1,390 | 1,237 |
| **Total expenses** | | **6,295** | 6,361 | **3,656** | 3,527 |
| **Profit before impairment allowances** | | **4,432** | 3,488 | **2,959** | 2,057 |
| Impairment allowances | 15 | (4,265) | (2,131) | (2,942) | (1,500) |
| **PROFIT FOR THE PERIOD** | | **167** | 1,357 | **17** | 557 |
| **Attributable to:** | | | | | |
| Shareholders of the parent | | 199 | 1,399 | 23 | 579 |
| Non-controlling interest | | (32) | (42) | (6) | (22) |
| | | **167** | 1,357 | **17** | 557 |
| **Earnings per share** | | | | | |
| Basic and diluted earnings per share (fills) | | **0.211** | 1.459 | **0.025** | 0.604 |

The condensed consolidated interim financial information consists of pages 2 to 17.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**for the six months ended 30 June 2019** BD 000's

| **30 June 2019** (Reviewed) | Equity attributable to shareholders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share Capital** | **Statutory reserve** | **Treasury shares** | **Employee share incentive scheme** | **Accumulated losses** | **Total** | **Non-Controlling interest** | **Total equity** |
| Balance at 1 January 2019 | **105,000** | **8,225** | **(11,295)** | **(29)** | **(729)** | **101,172** | **2,290** | **103,462** |
| Profit for the period | - | - | - | - | 199 | 199 | (32) | 167 |
| **Total recognised income and expense for the period** | **-** | **-** | **-** | **-** | **199** | **199** | **(32)** | **167** |
| Purchase of Treasury shares | - | - | (420) | - | - | (420) | - | (420) |
| Issue of shares under incentive scheme | - | - | - | 76 | 20 | 96 | - | 96 |
| Transfer to Zakah fund | - | - | - | - | (187) | (187) | - | (187) |
| **Balance at 30 June 2019** | **105,000** | **8,225** | **(11,715)** | **47** | **(697)** | **100,860** | **2,258** | **103,118** |

The condensed consolidated interim financial information consists of pages 2 to 17.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**for the six months ended 30 June 2019 *(Continued)*** BD 000's

| 30 June 2018 (Reviewed) | Equity attributable to shareholders of the parent | | | | | | Non-Controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Statutory reserve | Treasury shares | Employee share incentive scheme | Retained earnings | Total | | |
| 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) |
| Balance at 1 January 2018 (restated) | 105,000 | 8,159 | (10,212) | (70) | (907) | 101,970 | 2,645 | 104,615 |
| Profit for the period | - | - | - | - | 1,399 | 1,399 | (42) | 1,357 |
| Total recognised income and expense for the period | - | - | - | - | 492 | 103,369 | 2,603 | 105,972 |
| Purchase of Treasury shares | - | - | (19) | - | - | (19) | - | (19) |
| Issue of shares under incentive scheme | - | - | - | 61 | 40 | 101 | - | 101 |
| Loss of Control | - | - | - | - | (24) | (24) | (270) | (294) |
| Transfer to Zakah fund | - | - | - | - | (441) | (441) | - | (441) |
| Balance at 30 June 2018 | 105,000 | 8,159 | (10,231) | (9) | 67 | 102,986 | 2,333 | 105,319 |

The condensed consolidated interim financial information consists of pages 2 to 17.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**for the six months ended 30 June 2019** BD 000's

| | **30 June 2019** (Reviewed) | 30 June 2018 (Reviewed) |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| (Disbursements) / receipts from financing assets, net | (10,937) | 13,701 |
| (Payments for) / receipts from assets acquired for leasing, net | (13,348) | 2,618 |
| Income from short-term placements received | 1,421 | 414 |
| Returns paid to investment account holders | (5,616) | (4,129) |
| Payment to / (withdrawals from) investment account holders, net | 110,656 | (31,769) |
| Payment for expenses | (6,643) | (6,084) |
| Other receipts | 2,329 | 1,322 |
| Contributions paid to charitable organisations | (18) | (1) |
| Withdrawals from customers' current accounts, net | (5,074) | (10,793) |
| Withdrawals from financial institutions, net | (6,315) | (12,253) |
| Placements from non-financial institutions, net | 8,264 | 19,432 |
| Net payment to CBB reserve account | (5,950) | (925) |
| Finance expense on placements paid | (6,208) | (3,314) |
| Income from sukuk received | 4,701 | 2,728 |
| **Net cash from / (used in) operating activities** | **67,262** | (29,053) |
| **INVESTING ACTIVITIES** | | |
| Purchase of sukuk | (23,831) | (23,281) |
| Proceed from redemption / sale of sukuk | 3,269 | 14,311 |
| Dividend from equity securities received | 9 | 1,302 |
| Purchase of property and equipment | (103) | (320) |
| **Net cash used in investing activities** | **(20,656)** | (7,988) |
| **FINANCING ACTIVITIES** | | |
| Treasury shares, net | (420) | (50) |
| Repayment of medium-term borrowing | (7,837) | (922) |
| **Net cash used in financing activities** | **(8,257)** | (972) |
| **Net increase / (decrease) in cash and cash equivalents** | **38,348** | (38,013) |
| Cash and cash equivalents at beginning of the period | 121,171 | 92,296 |
| **Cash and cash equivalents at end of the period** | **159,519** | 54,283 |
| **Cash and cash equivalents comprise:** | | |
| Cash and bank balances (excluding CBB reserve) | 49,501 | 28,690 |
| Placement with financial institutions | 110,018 | 25,593 |
| | **159,519** | 54,283 |

The condensed consolidated interim financial information consists of pages 2 to 17.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**
**for the six months ended 30 June 2019**

| **30 June 2019** (Reviewed) | **Balance at 1 January 2019** | | | **Movements during the period** | | | | | | **Balance at 30 June 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 June 2018 (Reviewed) | Balance at 1 January 2018 | | | Movements during the period | | | | | | Balance at 30 June 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 |

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

**for the six months ended 30 June 2019** BD 000's

| | **Six months ended 30 June 2019** (Reviewed) | Six months ended 30 June 2018 (Reviewed) |
|---|---|---|
| **Sources of zakah and charity fund** | | |
| At 1 January | 708 | 674 |
| Contributions by the bank | 187 | 441 |
| Non-Islamic income | 8 | 11 |
| **Total sources** | **903** | 1,126 |
| **Uses of zakah and charity fund** | | |
| Contributions to charitable organisations | (18) | (1) |
| **Total uses** | **(18)** | (1) |
| **Undistributed zakah and charity fund at end of the period** | **885** | 1,125 |

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

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 six-months ended 30 June 2018.

7 **Seasonality**

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

8 **Financing Assets**

| | 30 June 2019 (Reviewed) | 31 December 2018 (Audited) |
|---|---|---|
| Murabaha | 357,148 | 338,012 |
| Musharaka | 2,762 | 3,541 |
| Wakala | 5,007 | 5,007 |
| Mudharaba | 1,055 | 1,049 |
| Istisna | 2,601 | 2,054 |
| | 368,573 | 349,663 |
| Less: Impairment allowances | (25,390) | (22,023) |
| | **343,183** | 327,640 |

Murabaha financing receivables are net of deferred profits of BD 29,236 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 | (763) | (492) | 1,255 | - |
| Net charge for the period | 54 | 226 | 3,087 | 3,367 |
| **At 30 June 2019** | **4,053** | **3,429** | **17,908** | **25,390** |

9 **Investment in Sukuk**

| | 30 June 2019 (Reviewed) | 31 December 2018 (Audited) |
|---|---|---|
| **Debt type instruments - at amortised cost:** | | |
| - Quoted sukuk * | 181,717 | 161,327 |
| - Unquoted sukuk | 1,317 | 1,317 |
| Less: impairment allowance | (1,332) | (1,320) |
| | **181,702** | 161,324 |

* Includes Sukuk of BD 40,488 thousand pledged against medium-term borrowing of BD 34,571 thousand.

10 **Investment in equity securities**

| | **30 June 2019** (Reviewed) | 31 December 2018 (Audited) |
|---|---|---|
| *At fair value through income statement:* | | |
| - Unquoted equity securities (at fair value) | 13,148 | 13,148 |
| *At fair value through equity:* | | |
| - Gross Unquoted equity securities carrying amount (carried at cost less impairment)* | 51,944 | 51,972 |
| Less: Impairment allowances | (15,285) | (15,081) |
| | **49,807** | 50,039 |

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

11 **Significant related party transactions**

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

| 30 June 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 | 20,515 | **22,799** |
| Other assets | 117 | - | - | 1,203 | **1,320** |
| **Liabilities** | | | | | |
| Placement with financial institutions | - | 1,816 | 93,917 | - | **95,733** |
| Customers' current accounts | 75 | 57 | 6,145 | 1,475 | **7,752** |
| Equity of investment account holders | 415 | 1,057 | 96,205 | 415 | **98,092** |

| Six months ended 30 June 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 | - | 64 | 185 | - | **249** |
| Other losses | (42) | - | - | - | **(42)** |
| **Expenses** | | | | | |
| Expense on placements from financial institutions, non-financial institutions and individuals | - | 43 | 2,074 | - | **2,117** |
| Return to investment account holders | 8 | 12 | 1,633 | 5 | **1,658** |
| Investment related expenses | - | - | - | 17 | **17** |
| Staff cost | - | 614 | - | - | **614** |

*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 |

| Six months ended 30 June 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 | - | 67 | 185 | - | 252 |
| Other losses | (17) | - | - | - | (17) |
| Expenses | | | | | |
| Return to investment account holders | 7 | 30 | 114 | 3 | 154 |
| Investment related expenses | - | - | - | 26 | 26 |
| Staff cost | - | 577 | - | - | 577 |

12 **Commitments and contingencies:**

| | **30 June 2019** (Reviewed) | 31 December 2018 (Audited) |
|---|---|---|
| Undrawn commitments to extend finance | **67,557** | 33,193 |
| Financial guarantees | **10,579** | 12,864 |

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

14 **Other income**

Includes recovery during the period of BD 2,738 thousand (2018: NIL) from financing assets written off in prior years.

15 **Impairment Allowance**

| | **30 June 2019** (Reviewed) | 30 June 2018 (Reviewed) |
|---|---|---|
| Balances and placements with banks and financial institutions | (48) | 3 |
| Financing Assets (note 8) | 3,367 | 737 |
| Investments in sukuk | 12 | 4 |
| Assets acquired for leasing (including lease rentals receivables) | 812 | (338) |
| Commitments and financial guarantees | (82) | 391 |
| Investments in equity securities at fair value through equity | 204 | 1,334 |
| | **4,265** | 2,131 |

Movement on ECL in various stages during the period:

| ***30 June 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 | 401 | (293) | (108) | - |
| Transfer to Stage 2 | (302) | 426 | (124) | - |
| Transfer to Stage 3 | (867) | (700) | 1,567 | - |
| Net movement | (768) | (567) | 1,335 | - |
| Charge for the period (net) | (54) | 773 | 3,342 | 4,061 |
| **Closing balance as at 30 June** | **4,277** | **4,124** | **21,891** | **30,292** |

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 263.13 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.

17 **Segment information**

| **30 June 2019 (Reviewed)** | **Investment Banking** | **Corporate and Retail Banking** | **Unallocated** | **Total** |
|---|---|---|---|---|
| Segment revenue | 254 | 24,944 | - | **25,198** |
| Segment results | (394) | 4,437 | (3,876) | **167** |
| Segment assets | 93,836 | 849,826 | 13,416 | **957,078** |

*17 Segment information (continued)*

| 30 June 2018 (Reviewed) | Investment Banking | Corporate and Retail Banking | Unallocated | Total |
|---|---|---|---|---|
| Segment revenue | 1,243 | 16,937 | - | 18,180 |
| Segment results | (529) | 5,828 | (3,942) | 1,357 |
| Segment assets | 86,795 | 644,595 | 9,864 | 741,254 |

## 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 June 2019** | **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** |

| 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 |

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

| | **30 June 2019** (Reviewed) | 30 June 2018 (Reviewed) |
|---|---|---|
| At 1 January | 13,148 | 13,148 |
| Total losses in income statement | - | - |
| Purchases | - | - |
| Settlements | - | - |
| Transfers into (out) of Level 3 | - | - |
| | **13,148** | 13,148 |

*18 Financial instruments (continued)*

*(i) Financial instruments fair value: (continued)*
During the six month period ended 30 June 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 June 2019** | Carrying amount (reviewed) | Fair value (reviewed) |
|---|---|---|
| **Financial assets:** | | |
| Financing assets | 343,183 | 343,183 |
| Investment in sukuk | 181,702 | 181,702 |
| Investment in equity securities [(1)] | 13,148 | 13,148 |
| Assets acquired for leasing | 118,577 | 118,577 |
| Lease rentals receivables | 14,162 | 14,162 |
| | **670,772** | **670,772** |
| **Financial liabilities:** | | |
| Customers' current accounts | 65,342 | 65,342 |
| | **65,342** | **65,342** |

| 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 36,659 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.

*18 Financial Instruments (continued)*

*Valuation techniques (continued)*

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 657 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.

*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.