

KHALEEJI COMMERCIAL BANK BSC
30 SEPTEMBER 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 Fawad Tariq Khan
Acting Chief Executive Officer	:	Tawfeeq Mohamed Bastaki
Company secretary	:	Mohammed Abdulla Saleh
Reviewing Accountants	:	KPMG Fakhro, Bahrain

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

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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

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

8 November 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2017

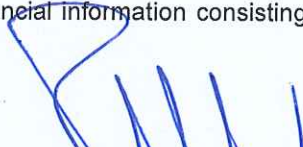
BD 000's

	Note	30 September 2017 (Reviewed)	31 December 2016 (Audited)
ASSETS			
Cash and bank balances		62,408	56,006
Placements with financial institutions		49,364	78,714
Financing assets	8	359,648	355,377
Investment in sukuk	9	112,346	74,154
Assets acquired for leasing		97,954	92,839
Lease rentals receivables		6,928	2,573
Investment in equity securities	10	55,089	55,121
Investment in real estate		20,724	21,508
Development property		6,003	6,003
Other assets		14,094	14,496
Property and equipment		8,214	8,208
Total assets		792,772	764,999
LIABILITIES			
Placements from financial institutions		111,136	59,079
Placements from non-financial institutions and individuals		71,939	100,649
Medium-term borrowing	11	41,299	-
Customers' current accounts		63,721	75,814
Other liabilities		7,854	8,311
Total liabilities		295,949	243,853
Equity of investment account holders		378,268	404,651
OWNERS' EQUITY			
Share capital		105,000	105,000
Statutory reserve		7,962	7,962
Treasury shares		(10,211)	(8,832)
Employee share incentive scheme		(70)	(182)
Investment fair value reserve		(37)	-
Retained earnings		12,522	8,751
Total equity attributable to shareholders of the parent (page 4)		115,166	112,699
Non-controlling interest		3,389	3,796
Total liabilities, equity of investment account holders and owners' equity		792,772	764,999

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 17 on 8 November 2017 and signed on its behalf by:


Dr. Ahmed Khalil Al Mutawa
Chairman


Abdulkarim Ahmed Bucheery
Vice Chairman


Tawfeeq Mohamed Bastaki
Acting Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2017

BD 000's

	Note	Nine months ended		Three months ended	
		30 September 2017 (Reviewed)	30 September 2016 (Reviewed)	30 September 2017 (Reviewed)	30 September 2016 (Reviewed)
Income from financing assets and assets acquired for leasing		20,389	19,223	6,914	6,508
Income from sukuk		3,227	2,090	1,002	739
Income from placements with financial institutions		557	491	197	150
Income from equity securities		356	315	21	(4)
Other income		2,017	2,303	294	398
Total income before return to investment account holders		26,546	24,422	8,428	7,791
Less: Return to investment account holders before Bank's share as Mudarib		(11,734)	(12,184)	(3,432)	(3,996)
Bank's share as a Mudarib		6,059	6,909	1,595	2,161
Return to investment account holders		(5,675)	(5,275)	(1,837)	(1,835)
Expense on placements from financial institutions, non-financial institutions and individuals		(3,562)	(1,948)	(1,510)	(753)
Total income		17,309	17,199	5,081	5,203
Staff cost		5,253	5,141	1,453	1,585
Other expenses		4,298	4,032	1,490	1,357
Total expenses		9,551	9,173	2,943	2,942
Profit before impairment allowances		7,758	8,026	2,138	2,261
Impairment allowances	12	(4,033)	(3,706)	(1,380)	(2,114)
PROFIT FOR THE PERIOD		3,725	4,320	758	147
Attributable to:					
Shareholders of the parent		4,132	4,576	1,074	359
Non-controlling interest		(407)	(256)	(316)	(212)
		3,725	4,320	758	147
Earnings per share					
Basic and diluted earnings per share (fils)		4.284	4.724	1.119	0.372

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2017

BD 000's

30 September 2017 (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 2017	105,000	7,962	(8,832)	(182)	-	8,751	112,699	3,796	116,495
Profit for the period	-	-	-	-	-	4,132	4,132	(407)	3,725
Changes in fair value of equity-type sukuk	-	-	-	-	(37)	-	(37)	-	(37)
Total recognised income and expense for the period	-	-	-	-	(37)	4,132	4,095	(407)	3,688
Net treasury shares purchased	-	-	(1,379)	-	-	-	(1,379)	-	(1,379)
Issue of share under incentive scheme, net	-	-	-	112	-	-	112	-	112
Transfer to Zakah fund	-	-	-	-	-	(361)	(361)	-	(361)
Balance at 30 September 2017	105,000	7,962	(10,211)	(70)	(37)	12,522	115,166	3,389	118,555

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2017 (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 2016 (Reviewed)									
Balance at 1 January 2016	100,000	7,411	(8,136)	(284)	(86)	8,998	107,903	3,798	111,701
Profit for the period	-	-	-	-	-	4,576	4,576	(256)	4,320
Changes in fair value of investments in equity securities	-	-	-	-	322	-	322	-	322
Disposal of equity securities	-	-	-	-	(236)	-	(236)	-	(236)
Total recognised income and expense for the period	-	-	-	-	86	4,576	4,662	(256)	4,406
Issue of Bonus shares	5,000	-	-	-	-	(5,000)	-	-	-
Transfer to statutory reserve	-	20	-	-	-	(20)	-	-	-
Net treasury shares purchased	-	-	(696)	-	-	-	(696)	-	(696)
Issue of share under incentive scheme, net	-	-	-	158	-	-	158	-	158
Transfer to Zakah fund	-	-	-	-	-	(6)	(6)	-	(6)
Balance at 30 September 2016	105,000	7,431	(8,832)	(126)	-	8,548	112,021	3,542	115,563

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2017

BD 000's

	Nine months ended 30 September 2017 (Reviewed)	Nine months ended 30 September 2016 (Reviewed)
OPERATING ACTIVITIES		
Receipts / (disbursements of) financing assets, net	11,947	(24,518)
Payment for asset acquired for leasing, net	(9,470)	(24,628)
Income from short-term placements received	557	491
Returns paid to investment account holders	(6,016)	(5,650)
(Payment to) / receipts from investment account holders, net	(26,384)	16,153
Payment for expenses	(9,737)	(10,536)
Other receipts	2,311	4,314
Contributions paid to charitable organisations	(373)	(36)
Net (payment) / receipts in customers' current accounts	(12,093)	1,864
Placements from financial institutions, net	52,058	(15,588)
Placements from non-financial institutions and individuals, net	(28,710)	50,489
Net withdrawal from CBB reserve account	1,275	80
Finance expense on placements paid	(3,360)	(1,948)
Income from sukuk received	3,830	2,792
Net cash used in operating activities	(24,165)	(6,721)
INVESTING ACTIVITIES		
Purchase of sukuk	(60,677)	(22,709)
Proceed from redemption / sale of sukuk	22,280	22,361
Purchase of equity securities	-	(84)
Proceed from sale of equity securities	-	10,520
Proceed from disposal of investment property	1,079	3,088
Dividend from equity securities received	399	358
Purchase of property and equipment	(308)	(70)
Net cash (used in) / generated from investing activities	(37,227)	13,464
FINANCING ACTIVITIES		
Purchase of treasury shares	(1,379)	(696)
Drawdown of medium-term borrowing	41,098	-
Net cash generated from / (used in) financing activities	39,719	(696)
Net (decrease) / increase in cash and cash equivalents	(21,673)	6,047
Cash and cash equivalents at beginning of the period	114,865	66,369
Cash and cash equivalents at end of the period	93,192	72,416
Cash and cash equivalents comprise:		
Cash and bank balances (excluding CBB reserve)	43,828	23,529
Placement with financial institutions	49,364	48,887
	93,192	72,416

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2017

30 September 2017

(Reviewed)

	Balance at 1 January 2017			Movements during the period						Balance at 30 September 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	(114)	-	-	-	-	-	3,538	1.00	3,538
Locata Corporation Pty Ltd (RIA 6)	2,633	0.38	993	-	-	-	-	-	-	2,633	0.38	993
			10,949	(164)	-	-	-	-	-			10,785

30 September 2016 (Reviewed)

	Balance at 1 January 2016			Movements during the period						Balance at 30 September 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	(20)	-	-	-	-	-	8,293	1.00	8,293
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	(8,596)	-	-	-	-	-			12,938

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

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND**for the nine months ended 30 September 2017**

BD 000's

	Nine months ended 30 September 2017 (Reviewed)	Nine months ended 30 September 2016 (Reviewed)
Sources of zakah and charity fund		
At 1 January	723	728
Contributions by the bank	361	6
Non-Islamic income	12	22
Total sources	1,096	756
Uses of zakah and charity fund		
Contributions to charitable organisations	(373)	(36)
Total uses	(373)	(36)
Undistributed zakah and charity fund at end of the period	723	720

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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 zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the nine-months ended 30 September 2016.

7 Seasonality

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

BD 000's

8 Financing Assets

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Murabaha	341,193	334,632
Musharaka	7,379	8,765
Wakala	21,541	29,386
Mudharaba	1,156	1,155
Istisna	-	7
	371,269	373,945
Less: Impairment allowances – specific	(8,308)	(15,164)
Less: Impairment allowances – collective	(3,313)	(3,404)
	359,648	355,377

Murabaha financing receivables are net of deferred profits of BD 25,922 thousand (2016: BD 31,004 thousand).

9 Investment in Sukuk

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Debt type Sukuk		
- Quoted sukuk (<i>at amortised cost</i>)*	108,120	73,443
- Unquoted sukuk (<i>at amortised cost</i>)	376	711
Equity type Sukuk		
- Quoted sukuk (<i>at fair value through equity</i>)	3,850	-
	112,346	74,154

* Includes sukuk of BD 49 million pledged against Medium-term borrowing of BD 41 million (refer note 11).

10 Investment in equity securities

	30 September 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)*	39,941	39,973
	55,089	55,121

* 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 2017

BD 000's

11 **Medium-term borrowing**

During the period, the Bank obtained two medium-term Murabaha facilities of BD 41 million secured by pledge over sukuk of BD 49 million.

12 **Impairment allowances**

	30 September 2017 (Reviewed)	30 September 2016 (Reviewed)
Financing assets		
- Charge for specific provision, net	3,320	3,660
- Charge for collective provision, net	62	113
Investment in equity securities		
- Charge / (write back) of specific provision	440	(264)
Investment in Sukuk		
- Charge for specific provision	168	197
Other assets		
- Charge for specific provision	43	-
	4,033	3,706

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

BD 000's

13 Significant related party transactions

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

30 September 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	1,371	8,048
Investment securities	130	-	2,284	2,421	4,835
Other assets	4,740	-	-	990	5,730
Liabilities					
Placements from financial institutions	-	-	37,410	-	37,410
Customers' current accounts	55	-	671	1,410	2,136
Equity of investment account holders	634	242	13,964	928	15,768

Nine months ended September 2017 (Reviewed)	30 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	-	33	24	70	127
Expenses					
Expense on placements from financial institutions, non-financial institutions and individuals	-	-	221	-	221
Return to investment account holders	27	4	131	10	172
Staff cost	-	1,118	-	-	1,118
Other expenses	-	-	-	77	77

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

BD 000's

13 *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

Nine months ended 30 September 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
Expenses					
Return to investment account holders	8	1	77	9	95
Staff cost	-	779	-	-	779
Other expenses	-	-	4	-	4

14 **Commitments and contingencies**

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Undrawn commitments to extend finance	44,732	65,797
Financial guarantees	21,455	22,669

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

BD 000's

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 condensed consolidated interim financial information.

	30 September 2017 (Reviewed)	31 December 2016 (Audited)
Restricted investment accounts	10,785	10,949
Other assets under management	171,533	171,533

17 Segment information

**30 September 2017
(Reviewed)**

Segment revenue
 Segment results
 Segment assets

	Investment Banking	Corporate and Retail Banking	Unallocated	Total
	112	17,197	-	17,309
	(1,104)	10,256	(5,427)	3,725
	90,465	692,986	9,321	792,772

**30 September 2016
(Reviewed)**

Segment revenue
 Segment results
 Segment assets

	Investment Banking	Corporate and Retail Banking-	Unallocated	Total
	170	17,029	-	17,199
	(237)	9,807	(5,250)	4,320
	88,217	612,088	9,001	709,306

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

BD 000's

18 *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 September 2017

Unquoted equity securities carried at
 fair value through income statement
 Equity type sukuk carried at fair value
 through equity

Level 1	Level 2	Level 3	Total
-	-	15,148	15,148
3,850	-	-	3,850
3,850	-	15,148	18,998

31 December 2016

Unquoted equity securities carried at
 fair value through income statement

Level 1	Level 2	Level 3	Total
-	-	15,148	15,148
-	-	15,148	15,148

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

	30 September 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 none months period ended 30 September 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

BD 000's

18 *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 September 2017**Financial assets:**

	Carrying amount (Reviewed)	Fair value (Reviewed)
Financing assets	359,648	359,648
Investment in sukuk	108,496	107,633
Assets acquired for leasing	97,954	97,954
Lease rentals receivables	6,928	6,928
	573,026	572,163

Financial liabilities:

Customers' current accounts	63,721	63,721
	63,721	63,721

31 December 2016**Financial assets:**

	Carrying amount (Audited)	Fair value (Audited)
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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017**

BD 000's

*18 Financial Instruments (continued)**Valuation techniques (continued)*

Investment securities amounting to BD 39,941 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.