



CMP/NOV/2018/0007

13th November 2018

Mr. Hassan Al Serkal

EVP, COO – Head of Operations Division, Market Operations Division

Dubai Financial Market

P.O Box 9700

Dubai - United Arab Emirates

Dear Mr. Al Serkal,

Subject: Results of GFH's Board of Directors Meeting held on 13th November 2018

GFH Financial Group would like to advise its shareholders and the markets that its Board of Directors has met today, Tuesday 13th November 2018, and has discussed and approved the following:

- 1- The financial results for Q3-2018, period ended 30th September 2018;
- 2- The Bank's strategy and business plan pertaining to its assets and acquisitions; and
- 3- Other matters.

Enclosed are the approved financial results for Q3-2018, period ended 30th September 2018.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Nabeel Mirza', enclosed within a blue oval scribble.

Nabeel Mirza

Senior Director Compliance & MLRO

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

30 September 2018

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29 th Floor Building 1398, East Tower Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Jassim AlSeddiqi, <i>Chairman</i> H.E. Shaikh Ahmed Bin Khalifa Al-Khalifa, <i>Vice Chairman</i> Hisham Alrayes Amro Saad Omar Al Menhali Mazen Bin Mohammed Al Saeed Mosabah Saif Al Mutairy Ghazi F. Alhajeri Bashar Mohamed Al Mutawa Rashid Nasser Al Kaabi Mustafa Kheriba
Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

GFH FINANCIAL GROUP BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018**

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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
GFH Financial Group BSC
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial information of GFH Financial Group BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of changes in sources and uses of zakah and charity fund for the nine-month period ended 30 September 2018; 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 Financial Accounting Standards issued by 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

13 November 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

US\$ 000's

	note	30 September 2018 * (reviewed)	31 December 2017 (audited)	30 September 2017 (reviewed)
ASSETS				
Cash and bank balances	9	277,044	216,445	196,677
Placements with financial institutions		106,739	95,569	219,605
Financing assets		919,572	992,502	1,004,511
Investment securities	10	648,378	521,408	502,627
Assets acquired for leasing		257,907	257,806	259,825
Investment properties		526,132	616,263	482,250
Development properties		1,244,150	893,037	883,465
Equity-accounted investees		95,130	81,440	117,852
Property and equipment		92,537	117,135	122,586
Other assets	11	264,107	318,852	207,770
Total assets		4,431,696	4,110,457	3,997,168
LIABILITIES				
Investors' funds		25,167	39,413	38,797
Placements from financial institutions, other entities and individuals		1,119,747	858,496	894,654
Customer current accounts		160,276	189,607	158,657
Financing liabilities	12	260,079	365,062	283,481
Other liabilities		533,960	255,733	263,585
Total liabilities		2,099,229	1,708,311	1,639,174
Equity of investment account holders		916,490	906,353	874,793
OWNERS' EQUITY				
Share capital		975,638	975,638	975,638
Treasury shares		(89,029)	(58,417)	(65,516)
Share premium		-	3,058	5,850
Statutory reserve		102,863	105,893	95,475
Retained earnings		124,860	122,825	117,338
Investment fair value reserve		-	-	(98)
Foreign currency translation reserve		(26,713)	-	-
Share grant reserve		1,086	1,026	1,026
Total equity attributable to shareholders of the Bank		1,088,705	1,150,023	1,129,713
Non-controlling interests		327,272	345,770	353,488
Total owners' equity (page 4)		1,415,977	1,495,793	1,483,201
Total liabilities, equity of investment account holders and owners' equity		4,431,696	4,110,457	3,997,168

* September 2018 results reflect the adoption of FAS 30. Prior periods have not been restated. Refer note 3 for further details.

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 23 on 13 November 2018.


H.E. Shaikh Ahmed Bin Khalifa Al-Khalifa
Vice Chairman


Hisham Alrayes
Chief Executive Officer & Board member

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2018

US\$ 000's

	note	Nine months ended		Three months ended	
		30 September 2018 * (reviewed)	30 September 2017 (reviewed)	30 September 2018 * (reviewed)	30 September 2017 (reviewed)
Income from investment banking activities		31,600	94,182	-	20,307
Fee and commission income		5,934	5,509	2,235	2,030
Income from placements with financial institutions		2,501	2,196	929	484
Income from financing assets and assets acquired-for-leasing		52,545	54,655	18,142	18,458
Share of profit of equity-accounted investees, net		3,373	5,541	(626)	1,528
Income from investment securities, net		26,331	12,618	11,089	3,748
Income from real estate		4,911	-	500	-
Foreign exchange gain, net		730	2,879	252	745
Income from settlement of liabilities	13	80,300	-	45,000	-
Other income, net	14	34,584	32,831	8,313	22,498
Income before return to investment account holders and finance expenses		242,809	210,411	85,834	69,798
Return to investment account holders before Group's share as Mudarib		(26,001)	(31,125)	(10,595)	(9,106)
Group's share as Mudarib		9,210	16,072	4,576	4,624
Return to investment account holders		(16,791)	(15,053)	(6,019)	(4,482)
Less: Finance expense		(41,401)	(32,200)	(15,393)	(13,135)
Total income		184,617	163,158	64,422	52,181
Staff cost		36,873	36,252	14,852	12,203
Investment advisory expenses		10,577	7,814	5,728	2,579
Other operating expenses		26,591	29,771	9,864	10,587
Total expenses		74,041	73,837	30,444	25,369
Profit before impairment allowances		110,576	89,321	33,978	26,812
Impairment allowances for the period	3d,10	(9,455)	(165)	(3,756)	(3,661)
Profit from continuing operations		101,121	89,156	30,222	23,151
Discontinued operations					
Profit from operations of non-banking subsidiaries, net		3,539	1,885	1,033	2,373
PROFIT FOR THE PERIOD		104,660	91,041	31,255	25,524
Profit for the period attributable to:					
Shareholders of the Bank		103,438	87,233	30,937	25,093
Non-controlling interests		1,222	3,808	318	431
		104,660	91,041	31,255	25,524
Earnings per share					
Basic and diluted earnings per share (US cents)		2.91	3.55	0.87	1.04
Earnings per share – continuing operations					
Basic and diluted earnings per share (US cents)		2.81	3.48	0.84	0.94

* September 2018 results reflect the adoption of FAS 30. Prior periods have not been restated. Refer note 3 for further details.

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2018

US\$ 000's

	Attributable to shareholders of the Bank							Non – controlling interests	Total owners' equity	
	Share capital	Share premium	Treasury shares	Statutory reserve	Retained earnings	Share grant reserve	Foreign currency translation reserve			Total
30 September 2018 (reviewed)										
Balance at 1 January 2018 (as previously reported)	975,638	3,058	(58,417)	105,893	122,825	1,026	-	1,150,023	345,770	1,495,793
Impact of adoption of FAS 30 (note3(b))	-	-	-	-	(16,586)	-	-	(16,586)	(13,092)	(29,678)
Balance at 1 January 2018 (restated)	975,638	3,058	(58,417)	105,893	106,239	1,026	-	1,133,437	332,678	1,466,115
Profit for the period (page 3)	-	-	-	-	103,438	-	-	103,438	1,222	104,660
Total recognised income and expense	-	-	-	-	103,438	-	-	103,438	1,222	104,660
Dividends declared (note 8)	-	-	-	-	(82,412)	-	-	(82,412)	-	(82,412)
Transfer to zakah and charity fund (page 8)	-	-	-	-	(2,432)	-	-	(2,432)	(522)	(2,954)
Derecognition on loss of control	-	-	-	-	(35)	-	-	(35)	(745)	(780)
Issue of shares under incentive scheme	-	-	-	-	62	60	-	122	49	171
Purchase of treasury shares	-	-	(72,311)	-	-	-	-	(72,311)	-	(72,311)
Sale of treasury shares	-	(3,058)	41,699	(3,030)	-	-	-	35,611	-	35,611
Foreign currency translation differences	-	-	-	-	-	-	(26,713)	(26,713)	(11,793)	(38,506)
Non-controlling interests arising on acquisition of a subsidiary (note 15)	-	-	-	-	-	-	-	-	6,383	6,383
Balance at 30 September 2018	975,638	-	(89,029)	102,863	124,860	1,086	(26,713)	1,088,705	327,272	1,415,977

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2018 (continued)

US\$ 000's

	Attributable to shareholders of the Bank								Non – controlling interests	Total owners' equity	
	Share capital	Share premium	Treasury shares	Capital adjustment and share subscription in progress	Statutory reserve	Retained earnings	Share grant reserve	Foreign currency translation reserve			Total
30 September 2017 (reviewed)											
Balance at 1 January 2017	597,995	-	(340)	24,320	93,768	191,379	902	-	908,024	213,683	1,121,707
Profit for the period (page 3)	-	-	-	-	-	87,233	-	-	87,233	3,808	91,041
Total recognised income and expense	-	-	-	-	-	87,233	-	-	87,233	3,808	91,041
Issuance of share capital	314,530	2,878	-	(24,320)	-	-	-	-	293,088	183,428	476,516
Bonus shares issued	59,799	-	-	-	-	(59,799)	-	-	-	-	-
Dividends declared	-	-	-	-	-	(59,799)	-	-	(59,799)	-	(59,799)
Transfer to zakah and charity fund	-	-	-	-	-	(3,509)	-	-	(3,509)	-	(3,509)
Acquisition of additional interests in subsidiaries and resulting changes in non-controlling interests	-	-	-	-	1,707	(38,167)	(40)	-	(36,500)	(38,574)	(75,074)
Issue of shares under incentive scheme, net of forfeitures	3,314	3,564	-	-	-	-	164	-	7,042	-	7,042
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	-	(8,857)	(8,857)
Purchase of treasury shares	-	-	(81,683)	-	-	-	-	-	(81,683)	-	(81,683)
Sale of treasury shares	-	(592)	16,507	-	-	-	-	-	15,915	-	15,915
Change in fair value of investment securities	-	-	-	-	-	-	-	(98)	(98)	-	(98)
Balance at 30 September 2017	975,638	5,850	(65,516)	-	95,475	117,338	1,026	(98)	1,129,713	353,488	1,483,201

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2018

US\$ 000's

	30 September 2018 (reviewed)	30 September 2017 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	104,660	91,041
Adjustments for:		
Income from investment banking activities	-	(82,026)
Income from investment securities	(26,331)	(12,618)
Share of profit of equity-accounted investees	(3,373)	(5,541)
Foreign exchange gain	(351)	(2,879)
Income from settlement of liabilities	(80,300)	-
Other income	(4,586)	(18,000)
Finance expense	41,401	32,200
Impairment allowances	9,455	165
Depreciation and amortisation	1,557	1,244
	42,132	3,586
Changes in:		
Placements with financial institutions (more than 3 months)	(15,465)	295
Financing assets	42,399	(33,921)
Assets acquired for leasing	(101)	(13,568)
Other assets	(25,508)	(40,953)
CBB Reserve balance	(7,972)	3,382
Investors' funds	(14,246)	(5,768)
Placements from financial, other entities and individuals	261,251	324,139
Customer current accounts	(29,331)	(34,126)
Equity of investment account holders	10,137	(147,397)
Other liabilities	(8,148)	9,407
Net cash generated from operating activities	255,148	65,076
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(1,447)	(1,091)
Purchase of investment securities	(206,548)	(161,848)
Proceeds from sale of a subsidiary	104,591	59,443
Net cash paid for acquisition of a subsidiary	(5,144)	108,694
Sale of investment securities	88,167	2,862
Dividend received	21,255	14,332
Advance for development property	(9,099)	-
Purchase of investment property	(2,652)	-
Net cash (used in) / generated from investing activities	(10,877)	22,392
FINANCING ACTIVITIES		
Financing liabilities, net	(57,477)	131,754
Finance expense paid	(33,888)	(26,331)
Dividends paid	(75,646)	(59,799)
Acquisition of additional stake in a subsidiary	-	(15,228)
Purchase of treasury shares, net	(30,776)	(69,426)
Net cash used in financing activities	(197,787)	(39,030)
Net increase in cash and cash equivalents during the period	46,484	48,438
Cash and cash equivalents at 1 January *	256,887	312,572
Cash and cash equivalents at 30 September	303,371	361,010
Cash and cash equivalents comprise: *		
Cash and bank balances (excluding CBB Reserve and restricted cash)	220,398	146,808
Placements with financial institutions (less than 3 months)	82,973	214,202
	303,371	361,010

* net of expected credit loss of US\$ 330 thousands (31 December 2017: US\$ 5 thousands)

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2018

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 US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.35	52	-	-	-	-	-	-	150	0.35	52
Al Basha'er Fund	13	7.15	93	-	-	-	-	-	-	13	7.15	93
Safana Investment (RIA 1)	6,254	2.65	16,588	-	-	-	-	-	-	6,254	2.65	16,588
Shaden Real Estate Investment WLL (RIA 5)	3,529	2.66	9,386	-	-	-	-	-	-	3,529	2.66	9,386
Locata Corporation Pty Ltd (RIA 6)	2,633	1.00	2,633	-	-	-	-	-	-	2,633	1.00	2,633
			28,752	-	-	-	-	-	-			28,752

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 US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.33	49	-	-	-	-	-	-	150	0.33	49
Al Basha'er Fund	93	6.85	637	(532)	(12)	-	-	-	-	13	7.15	93
Safana Investment (RIA 1)	6,304	2.65	16,721	(133)	-	-	-	-	-	6,254	2.65	16,588
Shaden Real Estate Investment WLL (RIA 5)	3,652	2.65	9,686	(300)	-	-	-	-	-	3,539	2.65	9,386
Locata Corporation Pty Ltd (RIA 6)	2,633	1.01	2,634	-	-	-	-	-	-	2,633	1.01	2,634
			29,727	(965)	(12)	-	-	-	-			28,750

The condensed consolidated interim financial information consists of pages 2 to 23.

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

for the nine months ended 30 September 2018

US\$ 000's

	30 September 2018 (reviewed)	30 September 2017 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	2,954	4,481
Non-Islamic income	32	-
Total sources	2,986	4,481
Uses of zakah and charity fund		
Contributions to charitable organisations	(104)	(2,747)
Total uses	(104)	(2,747)
Surplus of sources over uses	2,882	1,734
Undistributed zakah and charity fund at beginning of the period	2,840	2,160
Undistributed zakah and charity fund at end of the period	5,722	3,894
Represented by:		
Zakah payable	1,870	27
Charity fund	3,852	3,867
	5,722	3,894

The condensed consolidated interim financial information consists of pages 2 to 23.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018**

1 Reporting entity

The condensed consolidated interim financial information for the nine months ended 30 September 2018 comprise the financial information of GFH Financial Group BSC (“GFH” or the “Bank”) and its subsidiaries (together referred to as “the Group”).

The following are the principal subsidiaries consolidated in the condensed consolidated interim financial information.

Investee name	Country of incorporation	Parent / Owing Company	Effective ownership interests 2018	Activities
GFH Capital Limited	United Arab Emirates	GFH	100%	Investment management
Khaleeji Commercial Bank BSC ('KHCB')	Kingdom of Bahrain		55.41%	Islamic retail bank
Morocco Gateway Investment Company ('MGIC')	Cayman Islands		89.26%	Real estate development
Tunis Bay Investment Company ('TBIC')			51.41%	Real estate development
Energy City Navi Mumbai Investment Company & Mumbai IT & Telecom Technology Investment Company (together "India Projects")			77.73%	Real estate development
Al Areen Hotels SPC	Kingdom of Bahrain		100%	Hospitality management
Al Areen Project companies			100%	Real estate development
Gulf Holding Company KSC (Holding) *	State of Kuwait		51.18%	Investment in real estate
Surooh Company ('Surooh')	Cayman Islands		KHCB	10.00%

* refer note 15

2 Basis of preparation

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 Rule Book issued by the Central Bank of Bahrain (CBB), for matters that are not covered by FAS, 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 Group for the year ended 31 December 2017. 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 audited annual consolidated financial statements as at and for the year ended 31 December 2017.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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's audited financial statements for the year ended 31 December 2017, except for the effect of early adoption of FAS 30 as described below:

Adoption of FAS 30 – Impairment, Credit Losses and Onerous Commitments

The Group has early adopted FAS 30 as issued by AAOIFI in November 2017, effective for financial periods beginning on or after 1 January 2020. The date of transition is 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of FAS 30, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets as at the date of transition were recognised in the opening retained earnings.

The adoption of FAS 30 has resulted in changes in the accounting policies for impairment of financial assets. FAS 30 also amends disclosures required under other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. Set out below are the FAS 30 transition impact disclosures for the Group.

(a) Changes in accounting policies

The key changes to the Group's accounting policies resulting from the adoption of FAS 30 are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on respective standards as disclosed in the audited financial statements as of and for the year ended 31 December 2017.

Impairment of financial assets

FAS 30 introduces an 'expected credit losses' ("ECL") model as against the incurred loss model followed earlier. The new impairment model also applies to certain commitments and financial guarantee contracts but not to equity investments.

The Group applies a three-stage approach to measuring ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD').

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018**

3 *Significant accounting policies (continued)***(b) Changes to the Significant Estimates and Judgements**Impairment of financial assets

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Inputs, assumptions and techniques used for estimating impairment**Credit risk grades**

The Group's commercial banking subsidiary has an internal credit rating model that uses qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. The credit grades are calibrated such that the risk of default increases at each higher risk grade. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The Bank also uses external credit ratings for certain exposures.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition, the following criteria are considered:

- I. Downgrade in risk rating according to the approved ECL policy
- II. Facilities restructured during previous twelve months
- III. Facilities overdue by 30 days as at the reporting date subject to rebuttal in deserving circumstances

Generating the term structure of Probability of Default (PD)

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group has taken exposures.

Measurement of expected credit losses

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures expected credit loss using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value and the associated recovery cost.

Credit risk grading

The Group's commercial banking subsidiary uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group's commercial banking subsidiary uses internal rating models tailored to the various categories of counterparty. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

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3 *Significant accounting policies (continued)*

(c) Impact of adopting FAS 30

The impact from the adoption of FAS 30 as at 1 January 2018 has resulted in decrease in retained earnings by US\$ 16,586 thousand:

	Retained earnings US\$ 000's	Non - controlling interests US\$ 000's
Balance as of 1 January 2018 (as previously reported)	122,825	345,770
Impact on recognition of expected credit losses		
Bank balances and placements with financial institutions	(5)	(2)
Investment in sukuk	(4)	(4)
Financing assets	(12,983)	(10,447)
Assets acquired for leasing (including lease rental receivables)	(2,523)	(2,031)
Other receivables	(316)	-
Commitments and financial guarantees	(755)	(608)
	(16,586)	(13,092)
Balance as of 1 January 2018 (restated)	106,239	332,678

(d) Exposures subject to ECL

The following table reconciles the exposures subject to ECL as at 31 December 2017 to the restated opening balances as at 1 January 2018 determined in accordance with FAS 30

	31 December 2017 US\$ 000's	Effect of Re-Measurement * US\$ 000's	1 January 2018 US\$ 000's
Bank balances and placements with financial institutions	193,919	(7)	193,912
Financing assets	992,502	(23,430)	969,072
Investment in sukuk	300,655	(8)	300,647
Assets acquired for leasing (including lease rental receivables)	280,592	(4,554)	276,038
Other receivables	143,526	(316)	143,210
Commitments and financial guarantees	229,689	(1,363)	228,326
	2,140,883	(29,678)	2,111,205

* including those attributable to non-controlling interests

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3 *Significant accounting policies (continued)*

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

30 September 2018	Stage 1	Stage 2	Stage 3	Total
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
Financial assets at amortized cost				
Financing assets and assets acquired-for-leasing (funded)	713,506	286,976	250,226	1,250,708
Financing assets and assets acquired for leasing (unfunded)	66,726	56,971	2,385	126,082
Bank balances and placements	277,044	-	-	277,044
Investment in sukuk	435,425	-	3,740	439,165
Other receivables	104,536	-	-	104,536
Less: Expected credit losses	(5,227)	(16,761)	(49,830)	(71,818)
Financial assets carrying amount	1,592,010	327,186	206,521	2,125,717

Movement on ECL:

30 September 2018	Stage 1	Stage 2	Stage 3	Total
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
Opening balance at 1 January	7,902	27,950	30,366	66,218
Transfer to Stage 1	93	(85)	(8)	-
Transfer to Stage 2	(4,055)	4,057	(2)	-
Transfer to Stage 3	(844)	(5,615)	6,459	-
Charge for the period, net	2,131	(9,546)	13,015	5,600
Closing balance at 30 September	5,227	16,761	49,830	71,818

4 **Estimates**

The preparation of condensed consolidated 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.

In preparing these condensed consolidated interim financial information the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2017, except for the effect of early adoption of FAS 30 (refer note 3(b)).

5 **Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2017, except for the effect of early adoption of FAS 30 (refer note 3(b)).

6 **Seasonality**

Due to the inherent nature of the Group's business (investment banking, commercial banking and hospitality management business), the nine month results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall results for the year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018

7 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 Group's audited consolidated financial statements for the year ended 31 December 2017 and the reviewed condensed consolidated interim financial information for the nine months ended 30 September 2017. The comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, 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 2017.

8 Appropriations

Appropriations, if any, are made, at the year end when approved by the shareholders.

In the shareholders meeting held on 27 March 2018, the following appropriations for 2017 were approved and effected during the period:

- a) Dividend of 8.72% of the paid-up share capital amounting to US\$ 82.4 million in the form of cash;
- b) Appropriation of US\$ 1 million towards charity;
- c) Appropriation of US\$ 784 thousand towards zakah; and
- d) Transfer of US\$ 10 million to statutory reserve.

9 Cash and bank balances

	30 September 2018	31 December 2017	30 September 2017
	US\$ 000's (reviewed)	US\$ 000's (audited)	US\$ 000's (reviewed)
Cash	20,498	21,513	20,972
Balances with banks	162,135	80,365	73,717
Balances with Central Bank of Bahrain:			
- Current account	40,127	68,255	52,704
- Reserve account	54,284	46,312	49,284
	277,044	216,445	196,677

The reserve account with the Central Bank of Bahrain and bank balances of US\$ 2,362 thousand are not available for day-to-day operations purposes. The cash and bank balances are net of ECL of US\$ 330 thousand (31 December 2017: US\$ 5 thousand)

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10 Investment securities

	30 September 2018 US\$ 000's (reviewed)	31 December 2017 US\$ 000's (audited)	30 September 2017 US\$ 000's (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Quoted securities	917	-	-
- Unquoted securities	34,875	34,875	40,180
	35,792	34,875	40,180
<i>At fair value through equity</i>			
- Listed securities (at fair value)	103	103	103
- Unquoted securities (at cost) *	177,105	185,775	164,344
- Quoted sukuk	-	-	10,212
	177,208	185,878	174,659
Debt type investments			
<i>At fair value through income statement</i>			
- Quoted sukuk	76,059	-	-
<i>At amortised cost</i>			
- Quoted sukuk**	359,332	300,265	286,791
- Unquoted sukuk	3,740	390	997
Less: Expected credit losses	(3,753)	-	-
	359,319	300,655	287,788
	648,378	521,408	502,627

* Unquoted equity securities classified at fair value through equity mainly include investments in projects promoted by the Group. In the absence of reliable measure of fair value, these investments are carried at cost less impairment. During the period, the Group recognised impairment allowance of US\$ 3,855 thousand on these securities.

**Quoted sukuk of US\$ 152,845 thousand were pledged against medium-term borrowing of US\$ 132,739 thousand (note 12).

11 Other assets

	30 September 2018 US\$ 000's (reviewed)	31 December 2017 US\$ 000's (audited)	30 September 2017 US\$ 000's (reviewed)
Investment banking receivables	51,868	123,506	4,824
Financing to projects, net	20,730	21,175	18,630
Receivable from sale of			
- Subsidiaries	-	-	25,000
- Development property	25,125	10,000	10,000
Deposits and advances	39,357	38,156	37,503
Employee receivables	17,294	18,302	18,184
Profit on sukuk receivable	4,983	5,815	2,302
Lease rentals receivable	9,409	22,785	18,377
Prepayments and other receivables	95,341	79,113	72,950
	264,107	318,852	207,770

Other assets are net of ECL of US\$ 321 thousand (31 December 2017: US\$ 316 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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12 Financing liabilities

	30 September 2018	31 December 2017	30 September 2017
	US\$ 000's (reviewed)	US\$ 000's (audited)	US\$ 000's (reviewed)
- Murabaha financing	173,633	153,899	43,814
- Wakala financing	45,982	54,167	59,798
- Sukuk liability	-	25,364	24,933
- Ijarah financing	12,848	15,607	15,381
- Other borrowings	27,616	116,025	139,555
	260,079	365,062	283,481

Murabaha financing comprise:

- i) US\$ 20 million financing facility for a period of 3 years with profit rate of 6 month LIBOR plus a margin of 4.5% p.a. (subject to minimum 6% p.a.) The Murabaha financing is secured by a pledge over the Group's investment in shares of KHCB and matures in 2020;
- ii) US\$ 15 million facility obtained for general corporate purposes for a period of 5 years at a profit rate of 3 month LIBOR plus margin of 6% p.a. (subject to a minimum of 7% p.a.). The facility is secured by a pledge on Group's investment in shares of KHCB and matures in 2022; and
- iii) short-term and medium-term facilities of US\$ 132,739 thousand (2017: US\$ 109,570 thousand) through pledge over sukuk of US\$ 152,845 thousand (2017: US\$ 129,676 thousand) (note 10).

Wakala financing comprise:

- i) US\$ 35 million facility from a financial institution repayable in 3 years starting November 2016 and maturing in 2019 at a profit rate of LIBOR plus margin of 7.65% p.a. (subject to a minimum of 8% p.a.). The facility is secured by a pledge over the Group's investment property of carrying value of US\$ 24.7 million (31 December 2017: US\$ 24.7 million) and development property of carrying value of US\$ 44.5 million (31 December 2017: US\$ 42.3 million); and
- ii) a syndicate facility from a number of financial institutions availed in 2009 and repayable over a period of six years till April 2019 at a profit rate of 6% p.a. The facility is secured by a pledge over the Group's investment property with a carrying value of US\$ 136 million (31 December 2017: US\$ 136 million).

Sukuk liability

The Sukuk is backed by a pool of assets of the Group and has a liquidity facility provided by the Bank to support timely payments of distributions. The Sukuk were traded on the London Stock Exchange. Currently, the Sukuk certificates stand cancelled from admission to trading. The Sukuk was subsequently settled in July 2018.

Ijarah financing facility

This represents facility obtained from a financial institution in 2016 to part finance the acquisition of an investment property of US\$ 40.84 million, repayable over a period of 8 years at a profit rate of LIBOR plus margin of 5.7% p.a. (subject to minimum of 7% p.a.).

Other borrowings

These comprise financing availed by subsidiaries to fund project development and working capital requirements. The financing is secured against investment in real estate and are held through special purpose vehicle that do not have any recourse to the Bank. The Bank is not a party to these financing contracts and has not guaranteed repayment in any form. These balances are reported in the condensed consolidated interim financial information as a result of consolidation of subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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13 Income from settlement of liabilities

This include:

- Income of US\$ 35.3 million arising from restructuring of liabilities of a subsidiary. In 2016, as part of total recoveries made by the Group under litigation settlements, the Group had acquired the holding company of a master developer for a project in the Kingdom of Bahrain under administration and insolvency proceedings which had net liabilities at the time of the settlement. Subsequently, the Group managed to get the company out of administration by restructuring the liabilities of the Company and negotiating settlements with creditors through a court administered process. The legal process of confirming claims for settlement has been completed in 2018 resulting in the Company being taken out of legal administration and handed back to the Group. The final court judgment confirmed the final amounts due to each creditor and hence the difference between the previously recognised liability / provisions and the court approved amounts have been reversed to the income statement as they were no longer required.
- During the quarter, the Group agreed to settle sukuk liability with a financial institution of US\$ 200 million at a lower amount, resulting in a gain of US\$ 77.7 million (net of associated costs), of which US\$ 45 million has been recognized in this quarter. The balance gain of US\$ 32.7 million is deferred pending completion of contractual milestones and is included under 'Other liabilities'.

14 Other income

This comprise mainly US\$ 22 million received in cash during the period on settlement of litigations. Other income for 2017 mainly includes US\$ 18 million relating to a real estate sale transaction with a related party.

15 Acquisition of subsidiaries

During the period, the Group acquired additional stake of 31.39% in Gulf Holding Company KSC (Holding) (GHC), a company incorporated in the State of Kuwait taking the Group's holding to 51.18% and obtaining control over GHC. Accordingly, GHC's assets, liabilities and results have been consolidated from the date the Group obtained control.

GHC has the following subsidiaries:

Name	Country of incorporation	Effective ownership interests	Activities
Residential South Real Estate Development Co SPC (RSRED)	Kingdom of Bahrain	100%	Undertake Villamar Project in Bahrain
AlAreen Down Town Real Estate Development Co SPC (AADT)	Kingdom of Bahrain	100%	Undertake AlAreen Down Town Project in Bahrain
The Royal Real Estate Development Co Holding Co SPC (RREDH)	Kingdom of Bahrain	100%	Holding investment in Villa Royale project and real estate development project in Morocco

Consideration transferred and non-controlling interests

The consideration transferred in the acquisition of assets were partially in the form of treasury shares held by the Group and cash. The consideration transferred is generally measured at fair value and the stake held by shareholders other than the Group in the subsidiaries is recognised in the condensed consolidated interim financial information under "Non-controlling interests" based on the proportionate share of non-controlling shareholders' in the recognised amounts of the investee's net assets.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2018**

15 *Acquisition of subsidiaries (continued)*

Identifiable assets acquired and liabilities assumed

All entities acquired were considered as businesses. The fair value of assets, liabilities, equity interests have been reported on a provisional basis. If new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting are required to be done on a retrospective basis.

The reported amounts below represent the adjusted fair values of the acquired entities as at 30 June 2018, being the effective date of acquisition, have been reported on a provisional basis as permitted by accounting standards.

Given the size, geographic dispersion and inherent complexity involved in the acquisition, the Group, as on date of issue of this condensed consolidated interim financial information, has not concluded on the determination of fair value of tangible and intangible assets acquired, liabilities assumed and residual goodwill arising from the acquisition. The estimates of fair values for tangible and intangible assets acquired and liabilities assumed is subject to significant judgement and shall be determined by management based on various market and income analyses and asset appraisals at the effective date. No goodwill or negative goodwill has been recognised on the effective date.

Carrying value of assets acquired and liabilities assumed at the effective date were:

	US\$ 000's
Investment properties	40,373
Development properties	387,332
Cash and bank balances	1,547
Other receivables and pre-payments	26,280
Total assets	455,532
Sukuk financing *	202,784
Advances from customers	168,857
Other liabilities	70,817
Total liabilities	442,458
Total net identifiable assets	13,074

* *sukuk financing was settled subsequent to acquisition (refer note 13)*

	US\$ 000's
Carrying value of Group's previously held equity interest in investee	-
Consideration transferred	6,691
Non-controlling interests recognised	6,383
Total consideration	13,074

	US\$ 000's
Consideration paid	6,691
Less: Cash bank balances acquired on consolidation	(1,547)
Net cash paid for the purpose of consolidated statement cash flows	5,144

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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16 Related party transactions

The significant related party balances are not materially different from the amounts reported as at 31 December 2017 except for those arising from consolidation of subsidiaries. Other significant related party transactions entered during the period are given below:

Nine months ended 30 September 2018 (reviewed)	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose and other entities)	Total
	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s
Income					
Income from investment banking services	-	-	15,000	16,600	31,600
Fee and commission income	-	-	-	1,766	1,766
Income from financing assets		265	740	-	1,005
Share of profit of equity-accounted investees	3,431	-	-	-	3,431
Income from investment securities, net	-	-	-	280	280
Other income	(48)	-	-	-	(48)
Expenses					
Return to investment account holders	24	138	147	21	330
Finance expense	-	-	5,246	-	5,246
Staff cost	-	3,406	-	-	3,406
Other expenses	-	-	-	98	98
Transaction during the period					
Subscription in projects promoted by the Group	-	-	38,100	-	38,100
Discount on subscription	-	-	8,100	-	8,100

Nine months ended 30 September 2017 (reviewed)	Associates	Key management personnel	Entities in which directors are interested	Assets under management (including special purpose entities)	Total
	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s
Income					
Income from investment banking activities	-	-	26,867	31,195	58,062
Management and other fees	-	-	-	1,221	1,221
Share of profit of equity-accounted investees	5,541	-	-	-	5,541
Income from investment securities	1,588	-	-	819	2,407
Other income	135	-	18,000	-	18,135
Expenses					
Finance expense	-	-	6,575	-	6,575
Staff cost	-	9,663	-	-	9,663
Other expenses	-	-	-	204	204
Return to investment account holders	71	11	347	26	455

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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17 Segment reporting

The Group is organised into business units based on their nature of operations and independent reporting entities and has four reportable operating segments namely real estate development, investment banking and commercial banking.

	Real estate development	Investment banking	Commercial banking	Unallocated / Elimination	Total
	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s
30 September 2018 (reviewed)					
Segment revenue *	68,467	61,003	39,450	22,561	191,481
Segment expenses	(14,141)	(27,539)	(33,573)	(11,568)	(86,821)
Segment result	54,326	33,464	5,877	10,993	104,660
Segment assets	1,937,584	398,952	2,072,320	22,840	4,431,696
Segment liabilities	928,779	262,196	813,746	94,508	2,099,229
<i>Other segment information</i>					
Finance expense	20,395	4,199	16,566	241	41,401
Impairment allowance	-	309	9,136	-	9,445
Equity accounted investees	5,702	77,257	12,171	-	95,130
Equity of investment account holders	-	-	915,902	588	916,490
Commitments	76,134	-	126,082	-	202,216

* Includes segment result of discontinued operations, net.

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17 *Segment reporting (continued)*

	Real estate development US\$ '000s	Investment banking US\$ '000s	Commercial banking US\$ '000s	Unallocated / Elimination US\$ '000s	Total US\$ '000s
30 September 2017 (reviewed)					
Segment revenue	20,573	99,658	46,953	1,852	169,036
Segment expenses	(10,267)	(25,560)	(27,973)	(14,195)	(77,995)
Segment result	10,306	74,098	18,980	(12,343)	91,041
Segment assets	1,428,757	741,680	1,802,989	23,742	3,997,168
Segment liabilities	591,817	235,901	777,455	34,001	1,639,174
<i>Other segment information</i>					
Impairment allowance	-	1,433	(1,598)	-	(165)
Equity accounted investees	5,702	99,917	12,233	-	117,852
Equity of investment account holders	-	-	873,633	1,160	874,793
Commitments	20,000	14,589	175,564	-	210,153

* Includes segment result of discontinued operations, net.

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18 Commitments and contingencies

The commitments contracted in the normal course of business of the Group:

	30 September 2018 US\$ 000's (reviewed)	31 December 2017 US\$ 000's (audited)	30 September 2017 US\$ 000's (reviewed)
Undrawn commitments to extend finance	89,565	129,302	118,653
Financial guarantees	47,067	73,960	71,500
Commitment for infrastructure development	65,584	20,000	20,000
Commitment to invest	-	6,427	-

Performance obligations

During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities other than those already recognised, are expected to materialise on the Group at 30 September 2018 due to the performance of any of its projects.

Litigations, claims and contingencies

The Group has a number of claims and litigations filed against it in connection with projects promoted by the Bank in the past and with certain transactions. Further, claims against the Bank also have been filed by former employees. Based on the advice of the Bank's external legal counsel, the management is of the opinion that the Bank has strong grounds to successfully defend itself against these claims. Appropriate provision have been made in the books of accounts. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

19 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. This represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

As at 30 September 2018, the fair value of bank balances, placements with financial institutions, other financial assets, investors' fund, placements from financial and other institutions and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using internal valuation models for unquoted securities. Certain unquoted equity securities are carried at cost less impairment in the absence of a reliable measure of fair value (note 10).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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19 *Financial instruments (continued)*

Financing liabilities

As at 30 September 2018, the fair value of financing liabilities was estimated at US\$ 260,079 thousand (carrying value US\$ 260,079 thousand) (31 December 2017: fair value US\$ 365,062 thousand (carrying value US\$ 365,062 thousand)). These may not necessarily represent active market quotes. In a normal (and not stressed) scenario excluding adjustments for own credit risk, the carrying values would approximate fair value of financing liabilities as these are largely floating rate instruments which were re-priced recently as part of the debt restructuring process.

Fair value hierarchy

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2018 (reviewed)

Investment securities carried at
- fair value through income statement
- fair value through equity

	Level 1 US\$ 000's	Level 2 US\$ 000's	Level 3 US\$ 000's	Total US\$ 000's
- fair value through income statement	76,976	-	34,875	111,851
- fair value through equity	103	-	-	103
	77,079	-	34,875	111,954

31 December 2017 (audited)

Investment securities carried at
- fair value through income statement
- fair value through equity

	Level 1 US\$ 000's	Level 2 US\$ 000's	Level 3 US\$ 000's	Total US\$ 000's
- fair value through income statement	-	-	34,875	34,875
- fair value through equity	103	-	-	103
	103	-	34,875	34,978

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

	30 September 2018 US\$ 000's (reviewed)	31 December 2017 US\$ 000's (audited)
At beginning of the period	34,875	42,153
Gains (losses) recognised in income statement	-	(5,305)
Derecognition on loss of control	-	(1,973)
At end of the period	34,875	34,875

20 **Comparatives**

Certain prior period amounts have been regrouped conform to current period presentation. Such regrouping did not affect the previously reported profit for the period or total owners' equity.