
ALUBAF Arab International Bank B.S.C. (c)

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 JUNE 2019 (Reviewed)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed financial statements of ALUBAF Arab International Bank B.S.C. (c) (the "Bank") as at 30 June 2019, comprising the interim statement of financial position and the related interim statements of profit or loss, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed financial statements 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 interim condensed 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 International Standards on Auditing 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

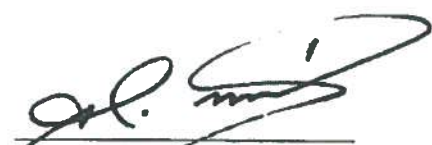
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



25 July 2019
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)
INTERIM STATEMENT OF FINANCIAL POSITION
 At 30 June 2019

		<i>(Reviewed)</i> 30 June 2019 US\$'000	<i>(Audited)</i> 31 December 2018 US\$'000
ASSETS			
Cash and balances with Central Banks and other banks		418,998	364,769
Deposits with banks and other financial institutions		368,062	339,105
Investments classified as fair value through profit and loss	3	5,025	14,517
Investment securities	4	223,825	205,597
Loans and advances	5	124,097	163,338
Property, equipment and software		9,384	9,758
Interest receivable		7,037	6,628
Other assets		889	1,176
TOTAL ASSETS		1,157,317	1,104,888
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		624,968	644,570
Due to banks and other financial institutions		134,353	87,783
Due to customers		82,600	65,642
Interest payable		1,997	1,634
Other liabilities		8,413	7,192
Total liabilities		852,331	806,821
Equity			
Share capital		250,000	250,000
Statutory reserve		22,757	22,757
Retained earnings		34,705	26,352
Fair value reserve		(2,476)	(6,042)
Proposed dividend		-	5,000
Total equity		304,986	298,067
TOTAL LIABILITIES AND EQUITY		1,157,317	1,104,888


 Anthony C. Mallis
 Deputy Chairman


 Moraja G. Solaiman
 Chairman


The attached notes 1 to 10 form part of these interim condensed financial statements.


ALUBAF Arab International Bank B.S.C. (c)

INTERIM STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2019

	Note	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		2019	2018	2019	2018
		US\$'000	US\$'000	US\$'000	US\$'000
Interest and similar income		10,541	10,698	21,696	20,643
Interest expense		(4,518)	(3,287)	(9,051)	(6,089)
Net interest income		6,023	7,411	12,645	14,554
Fee and commission income		480	1,313	1,208	2,114
Trading income - net		44	(363)	443	(295)
Gain on non-trading investments - net		-	-	288	203
Foreign exchange gain - net		794	90	1,039	227
Other income		27	24	52	47
Operating income		7,368	8,475	15,675	16,850
Provision charge for the period	6	(625)	(1,251)	(1,250)	(2,502)
Net operating income		6,743	7,224	14,425	14,348
Staff costs		(2,334)	(2,072)	(4,320)	(3,944)
Depreciation		(214)	(258)	(433)	(523)
Other operating expenses		(691)	(2,526)	(1,319)	(3,135)
Operating expenses		(3,239)	(4,856)	(6,072)	(7,602)
NET PROFIT FOR THE PERIOD		3,504	2,368	8,353	6,746


 Anthony C. Mallis
 Deputy Chairman


 Moraja G. Solaiman
 Chairman

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ALUBAF Arab International Bank B.S.C. (c)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2019

	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
NET PROFIT FOR THE PERIOD	3,504	2,368	8,353	6,746
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Fair value change in cash flow hedge	(78)	-	(267)	-
Unrealised fair value gain/(loss) on investments classified as fair value through other comprehensive income (FVOCI)	1,842	(4,483)	3,673	(7,155)
(Reversal) charge of impairment on FVOCI investments	(238)	(20)	160	(1,929)
Other comprehensive income (loss) for the period	1,526	(4,503)	3,566	(9,084)
Total comprehensive income (loss) for the period	5,030	(2,135)	11,919	(2,338)

The attached notes 1 to 10 form part of these interim condensed financial statements.

ALUBAF Arab International Bank B.S.C. (c)

INTERIM STATEMENT OF CASH FLOWS

Six months ended 30 June 2019

	Note	(Reviewed)	
		Six months ended	
		30 June	
		2019	2018
		US\$'000	US\$'000
OPERATING ACTIVITIES			
Net profit for the period		8,353	6,746
Adjustments for:			
Provision charge for the period	6	1,250	2,502
Depreciation		433	523
Amortisation of investments carried at amortised cost		177	315
Gain on investment securities - net		(288)	(203)
Unrealised (gain) loss on investments classified as FVTPL		(491)	235
Amortisation of assets classified as loans and advances		(462)	(424)
Operating profit before changes in operating assets and liabilities		<u>8,972</u>	9,694
Changes in operating assets and liabilities:			
Balances with Central Banks		(126,632)	-
Deposits with banks and other financial institutions		(55,925)	2,164
Investments classified as fair value through profit and loss		9,983	5,601
Investment securities		(100)	-
Loans and advances		38,453	10,525
Interest receivable and other assets		(122)	715
Deposits from banks and other financial institutions		(19,602)	18,129
Due to banks and other financial institutions		46,570	(37,621)
Due to customers		16,958	1,415
Interest payable and other liabilities		1,316	4,717
Net cash (used in) from operating activities		<u>(80,129)</u>	15,339
INVESTING ACTIVITIES			
Purchase of investment securities		(34,374)	(20,734)
Proceeds from disposal/redemption of investment securities		20,191	26,059
Purchase of property, equipment and software		(59)	(226)
Net cash (used in) from investing activities		<u>(14,242)</u>	5,099
FINANCING ACTIVITY			
Dividend paid		(5,000)	(5,000)
Net cash used in financing activity		<u>(5,000)</u>	(5,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(99,371)	15,438
Cash and cash equivalents at beginning of the period		<u>689,354</u>	677,833
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u><u>589,983</u></u>	<u><u>693,271</u></u>
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of ninety days or less		292,366	346,576
Deposits with banks and other financial institutions with original maturity of ninety days or less		297,617	346,695
		<u><u>589,983</u></u>	<u><u>693,271</u></u>

The attached notes 1 to 10 form part of these interim condensed financial statements.

ALUBAF Arab International Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2019

	(Reviewed)					
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Fair value reserve</i>	<i>Proposed dividend</i>	<i>Total</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Balance as at						
1 January 2019	250,000	22,757	26,352	(6,042)	5,000	298,067
Net profit for the period	-	-	8,353	-	-	8,353
Other comprehensive income for the period	-	-	-	3,566	-	3,566
Dividend paid (note 8)	-	-	-	-	(5,000)	(5,000)
At 30 June 2019	250,000	22,757	34,705	(2,476)	-	304,986
Balance as at						
1 January 2018	250,000	21,257	40,399	(2,805)	5,000	313,851
Transition adjustment on adoption of IFRS 9	-	-	(22,547)	2,931	-	(19,616)
At 1 January 2018 - restated	250,000	21,257	17,852	126	5,000	294,235
Net profit for the period	-	-	6,746	-	-	6,746
Other comprehensive loss for the period	-	-	-	(9,084)	-	(9,084)
Dividend paid (note 8)	-	-	-	-	(5,000)	(5,000)
At 30 June 2018	250,000	21,257	24,598	(8,958)	-	286,897

The attached notes 1 to 10 form part of these interim condensed financial statements.

At 30 June 2019

1 CORPORATE INFORMATION

ALUBAF Arab International Bank B.S.C. (c) (the "Bank") is a closed Bahraini joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration (CR) number 12819. The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is Building 854, Road 3618, Avenue 436, Alubaf Tower, Al-Seef District, PO Box 11529, Manama, Kingdom of Bahrain.

The interim condensed financial statements of the Bank for the six month period ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 25 July 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Bank for the six month period ended 30 June 2019 are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2018. In addition, results for the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

New standards, interpretations and amendments adopted by the Bank

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

For the accounting policies with respect to the prior year comparative figures refer to the annual financial statements for the year ended 31 December 2018.

The following new and amended accounting standards became effective in 2019 and have been adopted by the Bank in preparation of these interim condensed financial statements as applicable. However, they had no impact on the Bank's accounting policies, financial position or performance. Further, the Bank has not adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases

Leases - Revised guidance on single model accounting for leases (effective for annual periods beginning on or after 1 January 2019), with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures the right-of-use asset. Similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. Therefore, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

At 30 June 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New standards, interpretations and amendments adopted by the Bank (continued)****IFRS 16 Leases (continued)**

IFRS 16 supersedes the following Standards and Interpretations:

- a) IAS 17 Leases;
- b) IFRIC 4 Determining whether an Arrangement contains a Lease;
- c) SIC-15 Operating Leases – Incentives; and
- d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Bank has assessed the impact of the new lease standard to be immaterial as the lease period is less than 12 months for the majority of the lease contracts.

3 INVESTMENTS CLASSIFIED AS FAIR VALUE THROUGH PROFIT AND LOSS

	<i>(Reviewed)</i> 30 June 2019 US\$'000	<i>(Audited)</i> 31 December 2018 US\$'000
<i>Quoted:</i>		
- Debt securities	5,025	14,517

4 INVESTMENT SECURITIES

	<i>30 June 2019 (Reviewed)</i>		
	<i>FVOCI</i>	<i>Amortised cost</i>	<i>Total</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Quoted investments (note 4.1)			
- Sovereign debt securities	104,310	46,817	151,127
- Banks and Corporate debt securities	34,338	39,425	73,763
Total quoted investments	138,648	86,242	224,890
Provision for impairment on investment securities (note 4.2)	(786)	(1,065)	(1,851)
Reclassifying provision relating to FVOCI to OCI	786	-	786
Total investment securities	138,648	85,177	223,825
	<i>31 December 2018 (Audited)</i>		
	<i>FVOCI</i>	<i>Amortised cost</i>	<i>Total</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Quoted investments			
- Sovereign debt securities	96,722	49,374	146,096
- Banks and Corporate debt securities	16,281	44,545	60,826
Total quoted investments	113,003	93,919	206,922
Provision for impairment on investment securities	(626)	(1,325)	(1,951)
Reclassifying provision relating to FVOCI to OCI	626	-	626
Total investment securities	113,003	92,594	205,597

At 30 June 2019

4 INVESTMENT SECURITIES (continued)**Note 4.1**

	<i>FVOCI</i>			<i>Total</i>
	<i>30 June 2019 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Fair value through other comprehensive income				
Quoted investments				
- Sovereign debt securities	66,981	37,329	-	104,310
- Banks and Corporate debt securities	20,226	14,112	-	34,338
Total quoted investments	87,207	51,441	-	138,648
Provision for impairment on investment securities (note 4.2)	(196)	(590)	-	(786)
Reclassifying provision relating to FVOCI to OCI	196	590	-	786
Total investment securities	87,207	51,441	-	138,648
	<i>Amortised cost</i>			<i>Total</i>
	<i>30 June 2019 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At amortised cost				
Quoted investments				
- Sovereign debt securities	37,804	9,013	-	46,817
- Banks and Corporate debt securities	16,096	23,329	-	39,425
Total quoted investments	53,900	32,342	-	86,242
Provision for impairment on investment securities (note 4.2)	(81)	(984)	-	(1,065)
Total investment securities	53,819	31,358	-	85,177

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019

4 INVESTMENT SECURITIES (continued)

Note 4.2

Movements in provision for expected credit losses of 'FVOCI' investments were as follows:

	<i>FVOCI</i> 30 June 2019 (Reviewed)		
	<i>Stage 1:</i> 12-month ECL US\$ '000	<i>Stage 2:</i> Lifetime ECL not credit- impaired US\$ '000	<i>Total ECL</i> US\$ '000
Balance at 1 January 2019	318	308	626
<i>Changes due to financial assets recognised in opening balance that have:</i>			
Transfer to lifetime ECL not credit- impaired	(54)	54	-
Provided during the period	54	314	368
Recoveries / write-backs	(122)	(86)	(208)
At 30 June 2019	196	590	786

Movements in provision for expected credit losses of 'amortised cost' investments were as follows:

	<i>Amortised cost</i> 30 June 2019 (Reviewed)		
	<i>Stage 1:</i> 12-month ECL US\$ '000	<i>Stage 2:</i> Lifetime ECL not credit- impaired US\$ '000	<i>Total ECL</i> US\$ '000
Balance at 1 January 2019	145	1,180	1,325
Recoveries / write-backs	(64)	(196)	(260)
At 30 June 2019	81	984	1,065

	<i>Investment securities</i> 30 June 2018 (Reviewed)		
	<i>Stage 1:</i> 12-month ECL US\$ '000	<i>Stage 2:</i> Lifetime ECL not credit- impaired US\$ '000	<i>Total ECL</i> US\$ '000
Balance at 1 January 2018	604	3,799	4,403
<i>Changes due to financial assets recognised in opening balance that have:</i>			
Transfer to 12 month ECL	4	(4)	-
Transfer to lifetime ECL not credit- impaired	(24)	24	-
Provided during the period	96	330	426
Recoveries / write-backs	(109)	(3,575)	(3,684)
At 30 June 2018	571	574	1,145

At 30 June 2019

5 LOANS AND ADVANCES

Loans and advances are stated net of provision for loan losses.

	30 June 2019 (Reviewed)			
	Stage 1:	Stage 2:	Stage 3:	Total
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	no credit-	credit-	
US\$ 000	impaired	impaired		
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Letters of credit - financing	18,707	-	64,461	83,168
Sovereign loans	46,704	-	29,229	75,933
Commercial loans	45,406	-	6,326	51,732
Factoring	-	-	20,418	20,418
	110,817	-	120,434	231,251
Provision for impairment of loans (note 5.1)	(2,785)	-	(104,369)	(107,154)
	108,032	-	16,065	124,097
	31 December 2018 (Audited)			
	Stage 1:	Stage 2:	Stage 3:	Total
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	no credit-	credit-	
	US\$ 000	impaired	impaired	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Letters of credit - financing	30,770	-	63,258	94,028
Sovereign loans	46,242	-	32,314	78,556
Commercial loans	66,879	3,123	6,326	76,328
Factoring	-	20,184	-	20,184
	143,891	23,307	101,898	269,096
Provision for impairment of loans	(3,651)	(2,636)	(99,471)	(105,758)
	140,240	20,671	2,427	163,338

At 30 June 2019

5 LOANS AND ADVANCES (continued)**Note 5.1**

Movements in provision for impairment were as follows:

	30 June 2019 (Reviewed)			
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total ECL US\$ '000
Balance at 1 January 2019	3,651	2,636	99,471	105,758
<i>Changes due to financial assets recognised in opening balance that have:</i>				
Transfer to 12 month ECL	1	(1)	-	-
Transfer to lifetime ECL credit- impaired	-	(2,635)	2,635	-
Provided during the period	727	-	2,291	3,018
Recoveries / write-backs	(1,594)	-	-	(1,594)
Exchange differences	-	-	(28)	(28)
At 30 June 2019	2,785	-	104,369	107,154
	30 June 2018 (Reviewed)			
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total ECL US\$ '000
Balance at 1 January 2018	2,856	18,610	76,984	98,450
<i>Changes due to financial assets recognised in opening balance that have:</i>				
Transfer to lifetime ECL not credit- impaired	(12)	12	-	-
Provided during the period	-	12,087	2,191	14,278
Recoveries / write-backs	(613)	-	(9,260)	(9,873)
Exchange differences	-	-	(205)	(205)
At 30 June 2018	2,231	30,709	69,710	102,650

At 30 June 2019, interest in suspense on past due loans that are impaired amounts to US\$ 30,011 thousand (30 June 2018: US\$ 17,519 thousand).

6 PROVISION CHARGE FOR THE PERIOD

	(Reviewed) 30 June 2019 US\$'000	(Reviewed) 30 June 2018 US\$'000
Provision against money market, nostros and others	364	738
Provision for impairment on investment securities (note 4.2)	(100)	(3,259)
Provision for impairment of loans (note 5.1)	1,424	4,405
Provision against off balance sheet	(438)	618
	1,250	2,502

At 30 June 2019

7 COMMITMENTS AND CONTINGENT LIABILITIES**Credit and derivative related commitments**

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Letters of credit	66,740	121,029
Letters of guarantee	177	2,098
	66,917	123,127
Interest rate swap (cash flow hedge)	125,000	-
Forward foreign exchange contracts	-	4
	191,917	123,131

Provision (stage 1) amounting to US\$ 166 thousand (30 June 2018: US\$ 625 thousand) against off balance sheet exposures is classified under other liabilities.

8 DIVIDEND PAID

Dividend of US\$ 5 million i.e. US\$ 1 per share relating to 2018 (2017: US\$ 5 million) was paid during the six month period ended 30 June 2019 after due approval from the shareholders at the annual general meeting held on 28 April 2019.

9 TRANSACTIONS WITH RELATED PARTIES

Related parties represent shareholders, directors and key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Bank's management.

Transactions with related parties included in the interim statement of financial position and interim statement of profit or loss are as follows:

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Interim statement of financial position		
Assets		
Cash and balances with banks	31,860	5,907
Deposits with banks and financial institutions	-	9,714
Loans and advances	4,611	4,629
Interest receivable	38	44
Other assets	40	50
Liabilities		
Deposits from banks and other financial institutions	485,381	474,719
Due to banks and other financial institutions	19,957	3,780
Interest payable	1,725	1,458
Other liabilities	468	396
Assets under management	21,854	21,967
Contingent liabilities		
Letters of credit and guarantee	1,146	5,696

At 30 June 2019

9 TRANSACTIONS WITH RELATED PARTIES (continued)

	<i>Six months ended (Reviewed)</i>	
	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Interim statement of profit or loss		
Interest and similar income	163	582
Interest expense	8,226	5,776
Fee and commission income	67	536
	<i>Six months ended (Reviewed)</i>	
	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	1,511	857
End of service benefits	101	119
	1,612	976

* Includes sitting fees of US\$ 80 thousand (30 June 2018: US\$ 80 thousand) and reimbursement of travel, accommodation and other expenses paid to the Board of Directors amounting to US\$ 42 thousand (30 June 2018: US\$ 45 thousand).

10 FINANCIAL INSTRUMENTS

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019

10 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)*Fair value hierarchy - financial instruments measured at fair value*

The following table provides the fair value measurement hierarchy of the Bank's financial instruments measured at fair value:

At 30 June 2019 (Reviewed)

	Level 1 US\$ '000	Level 2 US\$ '000	Total US\$ '000
Investments classified as fair value through			
- profit and loss	5,025	-	5,025
- other comprehensive income	138,648	-	138,648
Derivative financial instruments	-	267	267
	143,673	267	143,940

At 31 December 2018 (Audited)

	Level 1 US\$ '000	Level 2 US\$ '000	Total US\$ '000
Investments classified as fair value through			
- profit and loss	14,517	-	14,517
- other comprehensive income	113,003	-	113,003
	127,520	-	127,520

The Bank had no investments measured at fair value qualifying for level 3 of the fair value hierarchy as at 30 June 2019 or as at 31 December 2018.

Transfers between level 1, level 2 and level 3

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 the level 3 fair value measurement (2018: nil).

Financial instruments not measured at fair value - comparison of fair value to carrying value

The following table provides details of the Bank's financial instruments not measured at fair value:

At 30 June 2019 (Reviewed)

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair value US\$ '000	Carrying value US\$ '000
Investments at amortised cost	87,072	-	-	87,072	85,177
Loans and advances	54,278	-	-	54,278	46,704
	141,350	-	-	141,350	131,881

At 31 December 2018 (Audited)

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair value US\$ '000	Carrying value US\$ '000
Investments at amortised cost	91,263	-	-	91,263	92,594
Loans and advances	49,571	-	-	49,571	46,242
	140,834	-	-	140,834	138,836

At 30 June 2019

10 FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value - comparison of fair value to carrying value (continued)

Balances with banks, deposits with banks and other financial institutions, interest receivable, other assets, deposits from banks and other financial institutions, due to banks and other financial institutions, due to customers, interest payable and other liabilities are generally short term in nature. Management has assessed that the fair values of these approximate their carrying values as of 30 June 2019 and 31 December 2018, and 30 June 2018.