

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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 September 2019, comprising the interim statement of financial position and the related interim statements of profit or loss and comprehensive income for the three and nine months period then ended and the related interim statements of cash flows and changes in equity for the nine-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.



11 November 2019
Manama, Kingdom of Bahrain

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

		<i>(Reviewed)</i>	<i>(Audited)</i>
		30 September	31 December
		2019	2018
	<i>Notes</i>	US\$'000	US\$'000
ASSETS			
Cash and balances with Central Banks and other banks		360,885	364,769
Deposits with banks and other financial institutions		407,018	339,105
Investments classified as fair value through profit and loss	3	8,086	14,517
Investment securities	4	234,076	205,597
Loans and advances	5	87,505	163,338
Property, equipment and software		9,201	9,758
Interest receivable		4,600	6,628
Other assets		1,272	1,176
TOTAL ASSETS		1,112,643	1,104,888
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		604,101	644,570
Due to banks and other financial institutions		78,127	87,783
Due to customers		108,016	65,642
Interest payable		3,904	1,634
Other liabilities		9,198	7,192
Total liabilities		803,346	806,821
Equity			
Share capital		250,000	250,000
Statutory reserve		22,757	22,757
Retained earnings		37,158	26,352
Fair value reserve		(618)	(6,042)
Proposed dividend		-	5,000
Total equity		309,297	298,067
TOTAL LIABILITIES AND EQUITY		1,112,643	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

Nine months ended 30 September 2019

	Note	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		2019	2018	2019	2018
		US\$'000	US\$'000	US\$'000	US\$'000
Interest and similar income		9,548	11,084	31,244	31,727
Interest expense		(4,222)	(3,771)	(13,273)	(9,860)
Net interest income		5,326	7,313	17,971	21,867
Fee and commission income		760	1,653	1,968	3,767
Trading income - net		63	20	506	(275)
Gain on investment securities - net		-	67	288	270
Foreign exchange gain - net		100	174	1,139	401
Other income		26	29	78	76
Operating income		6,275	9,256	21,950	26,106
Provision for impairment for the period	6	(625)	(1,251)	(1,875)	(3,753)
Net operating income		5,650	8,005	20,075	22,353
Staff costs		(2,155)	(1,815)	(6,475)	(5,759)
Depreciation		(214)	(210)	(647)	(733)
Other operating expenses		(828)	(723)	(2,147)	(3,858)
Operating expenses		(3,197)	(2,748)	(9,269)	(10,350)
NET PROFIT FOR THE PERIOD		2,453	5,257	10,806	12,003


 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 COMPREHENSIVE INCOME

Nine months ended 30 September 2019

	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
NET PROFIT FOR THE PERIOD	2,453	5,257	10,806	12,003
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	(173)	-	(440)	-
Unrealised fair value gain/(loss) on investments classified as fair value through other comprehensive income (FVOCI)	2,060	3,406	5,733	(3,749)
(Reversal) charge of impairment on FVOCI investments	(29)	70	131	(1,859)
Other comprehensive income (loss) for the period	1,858	3,476	5,424	(5,608)
Total comprehensive income for the period	4,311	8,733	16,230	6,395

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

Nine months ended 30 September 2019

	Notes	(Reviewed)	
		Nine months ended	
		2019	2018
		US\$'000	US\$'000
OPERATING ACTIVITIES			
Net profit for the period		10,806	12,003
Adjustments for:			
Provision for impairment for the period	6	1,875	3,753
Depreciation		647	733
Amortisation of investments carried at amortised cost		252	380
Investment income		(288)	(270)
Unrealised (gain) loss on investments classified as FVTPL		(555)	216
Gain on disposal of fixed asset		-	(7)
Amortisation of assets classified as loans and advances		(693)	(636)
Operating profit before changes in operating assets and liabilities		12,044	16,172
Changes in operating assets and liabilities:			
Balances with Central Bank		(99,437)	(15,399)
Deposits with banks and other financial institutions		(123,332)	29,566
Investments classified as fair value through profit and loss		6,986	4,558
Investment securities		-	(294)
Loans and advances		75,726	1,713
Interest receivable and other assets		1,932	1,875
Deposits from banks and other financial institutions		(40,469)	22,148
Due to banks and other financial institutions		(9,656)	259
Due to customers		42,374	42,647
Interest payable and other liabilities		4,395	1,996
Net cash (used in) from operating activities		(129,437)	105,241
INVESTING ACTIVITIES			
Purchase of investment securities		(44,390)	-
Proceeds from disposal/redemption of investment securities		20,191	15,163
Purchase of property, equipment and software		(90)	(281)
Proceeds from disposal of fixed assets		-	7
Net cash (used in) from investing activities		(24,289)	14,889
FINANCING ACTIVITY			
Dividend paid	8	(5,000)	(5,000)
Cash used in financing activity		(5,000)	(5,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(158,726)	115,130
Cash and cash equivalents at beginning of the period		689,354	677,834
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		530,628	792,964
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and other banks with original maturity of ninety days or less		201,533	396,330
Deposits with banks and other financial institutions with original maturity of ninety days or less		329,095	396,634
		530,628	792,964

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

Nine months ended 30 September 2019

	<i>(Reviewed)</i>					
	<i>Share capital US\$'000</i>	<i>Statutory reserve US\$'000</i>	<i>Retained earnings US\$'000</i>	<i>Fair value reserve US\$'000</i>	<i>Proposed dividend US\$'000</i>	<i>Total 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	-	-	10,806	-	-	10,806
Other comprehensive income for the period	-	-	-	5,424	-	5,424
Dividend paid (note 8)	-	-	-	-	(5,000)	(5,000)
At 30 September 2019	250,000	22,757	37,158	(618)	-	309,297
Balance as at At 1 January 2018 - restated	250,000	21,257	17,852	126	5,000	294,235
Net profit for the period	-	-	12,003	-	-	12,003
Other comprehensive loss for the period	-	-	-	(5,608)	-	(5,608)
Dividend paid (note 8)	-	-	-	-	(5,000)	(5,000)
At 30 September 2018	250,000	21,257	29,855	(5,482)	-	295,630

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

At 30 September 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 three and nine months period then ended 30 September 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 11 November 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Bank for the nine month period ended 30 September 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 three and nine months period then ended 30 September 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 year ended 31 December 2018.

The following new accounting standard became effective in 2019 and has been adopted by the Bank in preparation of these interim condensed financial statements as applicable. 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 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 September 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 in case of majority of the lease contracts.

3 INVESTMENTS CLASSIFIED AS FAIR VALUE THROUGH PROFIT AND LOSS

	<i>(Reviewed)</i> 30 September 2019 US\$'000	<i>(Audited)</i> 31 December 2018 US\$'000
<i>Quoted:</i>		
- Debt securities	8,086	14,517

4 INVESTMENT SECURITIES

	<u>30 September 2019 (Reviewed)</u>		
	<i>FVOCI</i>	<i>Amortised</i> <i>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	105,499	57,792	163,291
- Banks and Corporate debt securities	45,226	28,373	73,599
Total quoted investments	150,725	86,165	236,890
Provision for impairment on investment securities (note 4.2)	(757)	(2,814)	(3,571)
Reclassifying provision relating to FVOCI to OCI	757	-	757
Total investment securities	150,725	83,351	234,076
	<u>31 December 2018 (Audited)</u>		
	<i>FVOCI</i>	<i>Amortised</i> <i>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 September 2019

4 INVESTMENT SECURITIES (continued)

Note 4.1

	<i>FVOCI</i>			
	<i>30 September 2019 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</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	67,539	37,960	-	105,499
- Banks and Corporate debt securities	30,503	14,723	-	45,226
Total quoted investments	98,042	52,683	-	150,725
Provision for impairment on investment securities (note 4.2)	(230)	(527)	-	(757)
Reclassifying provision relating to FVOCI to OCI	230	527	-	757
Total investment securities	98,042	52,683	-	150,725

	<i>Amortised cost</i>			
	<i>30 September 2019 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</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	24,511	22,274	-	46,785
- Banks and Corporate debt securities	16,082	23,298	-	39,380
Total quoted investments	40,593	45,572	-	86,165
Provision for impairment on investment securities (note 4.2)	(50)	(2,764)	-	(2,814)
Total investment securities	40,543	42,808	-	83,351

Note 4.2

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

	<i>FVOCI</i>		
	<i>30 September 2019 (Reviewed)</i>		
	<i>Stage 1: 12-month ECL US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired US\$ '000</i>	<i>Total ECL US\$ '000</i>
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	136	239	375
Recoveries / write-backs	(170)	(74)	(244)
At 30 September 2019	230	527	757

At 30 September 2019

4 INVESTMENT SECURITIES (continued)**Note 4.2 (continued)**

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

	<i>Amortised cost</i>		
	<i>30 September 2019 (Reviewed)</i>		
	<i>Stage 1: 12-month ECL US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired US\$ '000</i>	<i>Total ECL US\$ '000</i>
Balance at 1 January 2019	145	1,180	1,325
Provided during the period	1	1,736	1,737
Recoveries / write-backs	(96)	(152)	(248)
At 30 September 2019	50	2,764	2,814

	<i>Investment securities</i>		
	<i>30 September 2018 (Reviewed)</i>		
	<i>Stage 1: 12-month ECL US\$ '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired US\$ '000</i>	<i>Total ECL US\$ '000</i>
Balance at 1 January 2018	608	3,796	4,404
<i>Changes due to financial assets recognised in opening balance that have:</i>			
Transfer to 12 month ECL	1,331	(1,331)	-
Transfer to lifetime ECL not credit- impaired	(64)	64	-
Provided during the period	-	-	-
Recoveries / write-backs	(1,360)	(1,058)	(2,418)
At 30 September 2018	515	1,471	1,986

5 LOANS AND ADVANCES

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

	<i>30 September 2019 (Reviewed)</i>			
	<i>Stage 1: 12-month ECL US\$ 000</i>	<i>Stage 2: Lifetime ECL no credit- impaired US\$ 000</i>	<i>Stage 3: Lifetime ECL credit- impaired US\$ 000</i>	<i>Total US\$ 000</i>
Letters of credit - financing	2,119	-	63,208	65,327
Sovereign loans	46,935	-	17,260	64,195
Commercial loans	37,563	-	6,326	43,889
Factoring	-	-	20,418	20,418
	86,617	-	107,212	193,829
Provision for impairment of loans (note 5.1)	(1,982)	-	(104,342)	(106,324)
	84,635	-	2,870	87,505

At 30 September 2019

5 LOANS AND ADVANCES (continued)

	31 December 2018 (Audited)			Total US\$ 000
	Stage 1: 12-month ECL US\$ 000	Stage 2: Lifetime ECL no credit- impaired US\$ 000	Stage 3: Lifetime ECL credit- impaired 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

Note 5.1

Movements in provision for impairment were as follows:

	30 September 2019 (Reviewed)			Total ECL US\$ '000
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	
Balance at 1 January 2019	3,651	2,636	99,471	105,758
Transfer to 12 month ECL	1	(1)	-	-
Transfer to lifetime ECL credit- impaired	-	(2,635)	2,635	-
Provided during the period	46	-	2,470	2,516
Recoveries / write-backs	(1,716)	-	-	(1,716)
Exchange differences	-	-	(234)	(234)
At 30 September 2019	1,982	-	104,342	106,324

	30 September 2018 (Reviewed)			Total ECL US\$ '000
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	
Balance at 1 January 2018	2,856	18,610	76,984	98,450
Provided during the period	1,245	11,278	1,560	14,083
Recoveries / write-backs	(935)	-	(8,606)	(9,541)
Exchange differences	-	-	(185)	(185)
At 30 September 2018	3,166	29,888	69,753	102,807

At 30 September 2019, interest in suspense on past due loans that are impaired amounts to US\$ 33,173 thousand (30 September 2018: US\$ 19,098 thousand).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019

6 PROVISION CHARGE FOR THE PERIOD

	<i>(Reviewed)</i> 30 September 2019 US\$'000	<i>(Reviewed)</i> 30 September 2018 US\$'000
Provision for impairment against money market, nostros and others	14	354
Provision for impairment on investment securities (note 4.2)	1,620	(2,418)
Provision for impairment of loans (note 5.1)	800	4,542
Provision for impairment against off balance sheet	(559)	1,275
	<u>1,875</u>	<u>3,753</u>

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

	<i>(Reviewed)</i> 30 September 2019 US\$'000	<i>(Audited)</i> 31 December 2018 US\$'000
Letters of credit	60,218	121,029
Letters of guarantee	177	2,098
Provision for expected credit loss	(45)	(604)
	<u>60,350</u>	<u>122,523</u>
Interest rate swap (cash flow hedge)	125,000	-
Forward foreign exchange contracts	-	4
	<u>185,350</u>	<u>122,527</u>

Provision (stage 1) amounting to US\$ 45 thousand (30 September 2018: US\$ 1,282 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 (nine month period ended 30 September 2018: US\$ 5 million relating to 2017) was paid during the nine month period ended 30 September 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019

9 TRANSACTIONS WITH RELATED PARTIES (continued)

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> 30 September 2019 US\$'000	<i>(Audited)</i> 31 December 2018 US\$'000
Interim statement of financial position		
Assets		
Cash and balances with banks	10,604	5,907
Deposits with banks and financial institutions	-	9,714
Loans and advances	4,481	4,629
Interest receivable	38	44
Other assets	35	50
Liabilities		
Deposits from banks and other financial institutions	469,445	474,719
Due to banks and other financial institutions	2,093	3,780
Interest payable	3,657	1,458
Other liabilities	305	396
Assets under management	21,019	21,967
Contingent liabilities		
Letters of credit and guarantee	636	5,696
	<i>Nine months ended (Reviewed)</i>	
	<u>30 September</u> 2019 US\$ '000	<u>30 September</u> 2018 US\$ '000
Interim statement of profit or loss		
Interest and similar income	129	165
Interest expense	12,260	9,269
Fee and commission income	170	107
	<i>Nine months ended (Reviewed)</i>	
	<u>30 September</u> 2019 US\$ '000	<u>30 September</u> 2018 US\$ '000
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	1,934	1,922
End of service benefits	153	146
	<u>2,087</u>	<u>2,068</u>

* Includes sitting fees of US\$ 135 thousand (30 September 2018: US\$ 150 thousand) and reimbursement of travel, accommodation and other expenses paid to the Board of Directors amounting to US\$ 83 thousand (30 September 2018: US\$ 100 thousand).

At 30 September 2019

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.

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 September 2019 (Reviewed)

	<i>Level 1</i> US\$ '000	<i>Level 2</i> US\$ '000	<i>Total</i> US\$ '000
Investments classified as fair value through			
- profit and loss	8,086	-	8,086
- other comprehensive income	150,725	-	150,725
Derivative financial instruments (liability)	-	440	440
	<u>158,811</u>	<u>440</u>	<u>159,251</u>

At 31 December 2018 (Audited)

	<i>Level 1</i> US\$ '000	<i>Level 2</i> US\$ '000	<i>Total</i> US\$ '000
Investments classified as fair value through			
- profit and loss	14,517	-	14,517
- other comprehensive income	113,003	-	113,003
Derivative financial instruments (liability)	-	4	4
	<u>127,520</u>	<u>4</u>	<u>127,524</u>

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

Transfers between level 1, level 2 and level 3

During the nine-month period ended 30 September 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).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019

10 FINANCIAL INSTRUMENTS (continued)***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 September 2019 (Reviewed)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Carrying value</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Investments at amortised cost	87,891	-	-	87,891	83,351
Loans and advances	53,720	-	-	53,720	46,935
	141,611	-	-	141,611	130,286

At 31 December 2018 (Audited)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Carrying value</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
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

Balances with Central Banks and other 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 September 2019 and 31 December 2018.