

KHALEEJI COMMERCIAL BANK BSC

RISK MANAGEMENT DISCLOSURES
(Based on Basel 3, Basel 2 (Pillar III) and IFSB guidelines)

30 June 2019

These disclosures have been prepared in accordance with the Public Disclosure Module (“PD”), Section PD-1.3: Disclosures in Annual Reports and PD-3.1.6 Semi-annual Disclosures, CBB Rule Book, Volume II for Islamic Banks. These disclosures should be read in conjunction with the detailed risk management disclosures made in the annual report for the year ended 31 December 2018, and the condensed consolidated interim financial information for the six months ended 30 June 2019.

TABLE OF CONTENTS

	Page
Executive Summary	3
1 Group Structure	4
2 Capital Management and Capital Adequacy Ratio	4
2.1 Capital management	4
2.2 Statement of Financial position under the regulatory scope of consolidation	5
2.3 Composition of Capital	6-7
2.4 Unconsolidated legal entities for regulatory purposes	8
2.5 Disclosure template for main feature of regulatory capital instruments	9
2.6 Capital structure, minimum capital requirements and capital adequacy	10-11
3 Credit Risk	11
3.1 Levels of exposure	11
3.2 Concentration of credit risk	12
3.2.1 Geographic distribution	12
3.2.2 Industry/ sector-wise distribution	12
3.2.3 Transactions with related counterparties	13
3.2.4 Exposures exceeding materiality thresholds	13
3.2.5 Exposures in highly leveraged counterparties	14
3.2.6 Residual contractual maturity of the credit portfolio and investment in sukuks	14
3.3 Equity risk in banking book	14
3.4 Geographical and sector-wise break up of impairment allowances and impaired/past due accounts	15
3.5 Renegotiated facilities	16
3.6 Legal Action and write off of exposures	16
3.7 Penalties for delayed payments	16
3.8 Credit risk mitigation	16
3.9 Regulatory capital requirements by type of financing contracts	17
4 Market Risk	17
4.1 Regulatory capital allocation against market rate risk	17
5 Operational Risk	17
5.1 Regulatory capital allocation against operational risk	17
6 Other Risks	17
6.1 Liquidity risk	17-19
6.2 Profit rate risk in the banking book	20
6.3 Counterparty credit risk	21
6.4 Concentration risk	21
6.5 Reputational risk	21
6.6 Displaced commercial risk	21
6.7 Other risks	21
7 Compliance Disclosure	21
8 Financial Performance	22
9 Product Disclosures	22
9.1 Equity of Investment Account Holders (IAH's)	22-23
9.2 Restricted Investment Accounts (RIA's)	24-25

Khaleeji Commercial Bank BSC

Risk Management Disclosures for the six months ended 30 June 2019

Executive Summary

The Central Bank of Bahrain (“CBB”) Basel 3 guidelines outlining the capital adequacy framework for banks incorporated in the Kingdom of Bahrain became effective from 1 January 2015. The banks are required to maintain minimum capital adequacy ratio of 12.5% on a consolidated basis [i.e. CET1 – 6.5%, AT1-1.5%, Tier 2 – 2% and CCB – 2.5%] and a capital adequacy ratio of 8% on a solo basis [i.e. CET1 – 4.5%, AT1 – 1.5% and Tier 2 – 2%]. These disclosures have been prepared in accordance with the CBB requirements outlined in the Public Disclosure Module (“PD”), Section PD-1.3: Disclosures in Annual Reports of the CBB Rule Book, Volume II for Islamic Banks and Section PD-3.1.6: Publication of reviewed (Unaudited) quarterly financial statements for locally incorporated banks. Section PD-1.3 reflect the requirements of Basel 2 - Pillar 3 and the Islamic Financial Services Board’s (“IFSB”) recommended disclosures for Islamic banks and PD 3.1.6 highlights the requirement to make quantitative disclosures described in PD-1.3 on their web site along with the half yearly financial statements.

All figures presented in this section are reported in BD thousands and are as of 30 June 2019 unless otherwise stated.

Khaleeji Commercial Bank BSC (the “Bank”) has adopted the Standardized Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk to determine its capital requirements. This section contains quantitative information on risk components and capital adequacy. The quantitative disclosures relating to remuneration are disclosed on annual basis in the Bank’s annual report. For qualitative and quantitative disclosures relating to the Bank’s risk management policies, capital adequacy policies and practices, corporate governance and remuneration, refer to the Pillar 3 disclosures in the section “Risk Management Disclosure” of the annual report for the year ended 31 December 2018.

The Bank’s Tier I and total capital adequacy ratios comply with the minimum capital requirements under the CBB’s Basel 3 framework.

The Banks total risk weighted exposures as at 30 June 2019 amounted to BD 631,332 thousand. Credit risk accounted for 88.9 percent, operational risk 9.8 percent and market risk 1.3 percent of the total risk weighted exposures. Tier I and total regulatory capital were BD 97,733 thousand and BD 104,747 thousand, respectively, as at 30 June 2019.

At 30 June 2019, Bank’s CET1 and T1 capital and total capital adequacy ratios were 15.48 percent and 16.59 percent, respectively.

1 Group Structure

The Bank operates under a retail banking license granted by the CBB on 20 October 2003. The Bank does not have significant operating subsidiaries. The subsidiaries set-up is primarily special purpose entities with nominal capital to execute specific investment transactions. The subsidiaries qualify as commercial entities as per the CBB guidelines and are risk weighted as investments for capital adequacy computation purposes.

2 Capital Management and Capital Adequacy Ratio

2.1 Capital management

The Bank's policy is to maintain a strong capital base to develop and retain investor, creditor and market confidence and to sustain business growth. The Bank recognizes the impact of a high level of capital on shareholders' returns, while not losing sight of the security and market confidence afforded by a sound capital base. The Bank aims to maintain a minimum total capital adequacy ratio significantly in excess of that mandated by the CBB.

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

2.2 Statement of Financial position under the regulatory scope of consolidation

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

Assets	Statement of Financial position as in published financial statements	Statement of Financial position as per regulatory reporting	Reference
ASSETS			
Cash and bank balances	76,271	76,270	
Of which cash of subsidiary (commercial entity)	1	-	
Placements with financial institutions	111,072	111,076	
Of which ECL (stage 1&2)	(4)	-	a
Financing assets	343,183	352,085	
Of which ECL (stage 1&2)	(7,481)	-	b
Of which financing to subsidiary (commercial entity)	(1,421)	-	
Investment in sukuk	181,702	181,716	
Of which ECL (stage 1&2)	(14)	-	c
Assets acquired for leasing	118,577	118,577	
Lease rental receivables	14,162	14,887	
Of which ECL (stage 1&2)	(725)	-	d
Investment in equity securities	49,807	49,807	
Of which related to Insignificant Investments in Financial Entities	13,148	13,148	e
Of which Capital adjustments related to Investment in financial entities where ownership is < 10% of issued common share capital (amount above 10% CET1a)	3,068	3,068	f
Of which related to other investments	36,659	36,659	
Investment in real estate	18,081	18,081	
Development property	6,251	248	
Of which development property of subsidiary (commercial entity)	6,003	-	
Other assets	30,284	30,385	
Of which receivable from subsidiary (commercial entity)	(101)	-	
Property and equipment	7,688	7,688	
TOTAL ASSETS	957,078	960,820	

LIABILITIES

Placements from financial institutions	152,035	152,035	
Placements from non-financial institutions and individuals	128,734	128,734	
Medium Term Borrowing	34,571	34,571	
Customers' current accounts	65,342	65,355	
Of which account of subsidiary (commercial entity)	(13)	-	
Other liabilities	16,248	13,893	
Of which ECL (stage 1&2)	177	-	g
Of which payables of subsidiary (commercial entity)	2,178	-	
TOTAL LIABILITIES	396,930	394,588	

EQUITY OF INVESTMENT ACCOUNT HOLDERS	457,030	457,030	
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OWNERS' EQUITY

Share capital	105,000	105,000	h
Statutory reserve	8,225	8,225	i
Treasury shares	(11,715)	(11,715)	j
Employee share incentive scheme	47	47	k
Retained earnings	(697)	(756)	l
Of which retained earnings of subsidiary (commercial entity)	59	-	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	100,860	100,801	
ECL (stage 1&2)	-	8,401	a+b+c+d-g
Non-controlling interest	2,258	-	
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	957,078	960,820	

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

2.3 Composition of Capital as at 30 June 2019

Composition of Capital as at 30 June 2019			Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Common Equity Tier 1 capital: instruments and reserves			
1.	Directly issued qualifying common share capital plus related stock surplus	113,272	h+i+k
2.	Retained earnings	(756)	l
3.	Accumulated other comprehensive income (and other reserves)	-	
4.	<i>Not applicable</i>		
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6.	Common Equity Tier 1 capital before regulatory adjustments	112,516	
Common Equity Tier 1 capital: regulatory adjustments			
7.	Prudential valuation adjustments	-	
8.	Goodwill (net of related tax liability)	-	
9.	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
10.	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11.	Cash-flow hedge reserve	-	
12.	Shortfall of provisions to expected losses	-	
13.	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14.	<i>Not applicable</i>		
15.	Defined-benefit pension fund net assets	-	
16.	Investments in own shares	(11,715)	j
17.	Reciprocal cross-holdings in common equity	-	
18.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	13,148	e
19.	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	(3,068)	f
20.	Mortgage servicing rights (amount above 10% threshold)	-	
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22.	Amount exceeding the 15% threshold	-	
23.	of which: significant investments in the common stock of financials	-	
24.	of which: mortgage servicing rights	-	
25.	of which: deferred tax assets arising from temporary differences	-	
26.	CBB specific regulatory adjustments	-	
27.	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28.	Total regulatory adjustments to Common equity Tier 1	(14,783)	
29.	Common Equity Tier 1 capital (CET1)	97,733	
Additional Tier 1 capital: instruments			
30.	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31.	of which: classified as equity under applicable accounting standards	-	
32.	of which: classified as liabilities under applicable accounting standards	-	
33.	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	
34.	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35.	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36.	Additional Tier 1 capital before regulatory adjustments	-	
Additional Tier 1 capital: regulatory adjustments			
37.	Investments in own Additional Tier 1 instruments	-	
38.	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40.	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41.	CBB specific regulatory adjustments	-	
42.	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

43.	Total regulatory adjustments to Additional Tier 1 capital	-	
44.	Additional Tier 1 capital (AT1)	-	
45.	Tier 1 capital (T1 = CET1 + AT1)	97,733	
Tier 2 capital: instruments and provisions			
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47.	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	
48.	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49.	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50.	Provisions	7,014	
51.	Tier 2 capital before regulatory adjustments	7,014	
Tier 2 capital: regulatory adjustments			
52.	Investments in own Tier 2 instruments	-	
53.	Reciprocal cross-holdings in Tier 2 instruments	-	
54.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55.	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56.	National specific regulatory adjustments	-	
57.	Total regulatory adjustments to Tier 2 capital	-	
58.	Tier 2 capital (T2)	7,014	
59.	Total capital (TC = T1 + T2)	104,747	
60.	Total risk weighted assets	631,332	
Capital ratios and buffers			
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.48%	
62.	Tier 1 (as a percentage of risk weighted assets)	15.48%	
63.	Total capital (as a percentage of risk weighted assets)	16.59%	
64.	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	9%	
65.	of which: capital conservation buffer requirement	2.5%	
66.	of which: bank specific countercyclical buffer requirement	N/A	
67.	of which: D-SIB buffer requirement	N/A	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	15.48%	
National minima including CCB (where different from Basel III)			
69.	CBB Common Equity Tier 1 minimum ratio	9.0%	
70.	CBB Tier 1 minimum ratio	10.5%	
71.	CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)			
72.	Non-significant investments in the capital of other financials	13,148	e
73.	Significant investments in the common stock of financials	-	
74.	Mortgage servicing rights (net of related tax liability)	-	
75.	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	8,401	a+b+c+d-g
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	7,014	
78.	N/A	-	
79.	N/A	-	
80.	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	NA	
81.	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	NA	
82.	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	NA	
83.	<i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	NA	
84.	<i>Current cap on T2 instruments subject to phase out arrangements</i>	NA	
85.	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	NA	

Khaleeji Commercial Bank BSC**Risk Management Disclosures for the six months ended 30 June 2019**

2.4 Unconsolidated legal entities for regulatory purposes

Legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:

Legal Entity name	Entity classification as per CBB Rules & Guidelines	Treatment by the Bank for regulatory purposes	Extracts of financials as at 30 June 2019 (Amount in BD 000's)	
			Total assets	Total equity
Harbour West 2 Real Estate SPC	Commercial entity	Risk weighted (look through approach)	9,757	9,757
Harbour West 4 Real Estate SPC	Commercial entity	Risk weighted (look through approach)	6,042	6,042
Surooh LTD	Commercial entity	Risk weighted	6,490	2,789

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

2.5 Disclosure template for main feature of regulatory capital instruments

1.	Issuer	Khaleeji Commercial Bank B.S.C
2.	Unique identifier	KHCB
3.	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment	
4.	Transitional CBB rules	Common Equity Tier 1
5.	Post-transitional CBB rules	Common Equity Tier 1
6.	Eligible at solo/group/group & solo	Group and solo
7.	Instrument type (types to be specified by each jurisdiction)	Equity Shares
8.	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	BD 105 million
9.	Par value of instrument	BD 0.100
10.	Accounting classification	Shareholders' Equity
11.	Original date of issuance	Various
12.	Perpetual or dated	Perpetual
13.	Original maturity date	No Maturity
14.	Issuer call subject to prior supervisory approval	No
15.	Optional call date, contingent call dates and redemption amount	Not applicable
16.	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17.	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders
18.	Coupon rate and any related index	Not applicable
19.	Existence of a dividend stopper	Not applicable
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21.	Existence of step up or other incentive to redeem	No
22.	Noncumulative or cumulative	Non-cumulative
23.	Convertible or non-convertible	Non-convertible
24.	If convertible, conversion trigger (s)	Not applicable
25.	If convertible, fully or partially	Not applicable
26.	If convertible, conversion rate	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable
30.	Write-down feature	No
31.	If write-down, write-down trigger(s)	Not applicable
32.	If write-down, full or partial	Not applicable
33.	If write-down, permanent or temporary	Not applicable
34.	If temporary write-down, description of write-up mechanism	Not applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36.	Non-compliant transitioned features	No
37.	If yes, specify non-compliant features	Not applicable

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

2.6 Capital structure, minimum capital requirements and capital adequacy

Following is the break-up of capital structure as at 30 June 2019:

BD 000's	
Eligible capital	30 June 2019
Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	105,000
Statutory reserve	8,225
Less: Employee stock incentive program funded by the bank (outstanding)	47
Retained earnings	(962)
Current interim cumulative net profit	206
Unrealized gains on available for sale financial instruments	-
Total CET1 capital prior to the regulatory adjustments	112,516
Less: Investment in own shares	(11,715)
Less: Investments in financial entities where ownership is < 10% of the issued common share capital (amount above 10% CET1a)	(3,068)
Total Common Equity Tier 1 capital after the regulatory adjustments	97,733
Other Capital	
AT1	-
Expected credit losses (ECL) Sateg 1 & 2 – (Tier 2)	7,014
Total available AT1 & T2 Capital	7,014
Total Capital	104,747

	30 June 2019
Credit risk weight exposures	561,149
Market risk weight exposures	8,025
Operational risk weight exposures	62,158
Total risk weighted exposures	631,332

Capital adequacy ratio (CET1 and T1)	15.48%
Capital adequacy ratio (Total capital)	16.59%

The above capital adequacy ratios are calculated by dividing the respective regulatory capital base by the total Risk Weighted Assets (RWAs).

Khaleeji Commercial Bank BSC

Risk Management Disclosures for the six months ended 30 June 2019

Break-up of capital requirement in accordance with the capital adequacy module of the CBB for the period ended 30 June 2019 is as follows (in BD 000's):

Exposure classification	Exposure			Risk weighted assets ^[1]			Capital requirement @ 12.5%		
	Self-Financed ^[2]	IAH ^[3]	Total	Self-Financed	IAH	Total	Self-Financed	IAH	Total
▪ Cash and collection items	5,831	-	5,831	-	-	-	-	-	-
▪ Sovereigns	41,510	165,521	207,031	-	-	-	-	-	-
▪ PSEs Treated as Sovereigns	-	42,965	42,965	-	3,850	3,850	-	481	481
▪ Banks	-	113,318	113,318	-	9,596	9,596	-	1,199	1,199
▪ Corporates	169,231	131,093	300,324	169,231	39,328	208,559	21,154	4,916	26,070
▪ Past due facilities	58,625	-	58,625	79,959	-	79,959	9,995	-	9,995
▪ Investments in equities/sukuk	13,748	-	13,748	20,622	-	20,622	2,578	-	2,578
▪ Holdings of real estate	75,016	-	75,016	236,611	-	236,611	29,576	-	29,576
▪ Other assets	1,953	-	1,953	1,953	-	1,953	244	-	244
Credit Risk	365,914	452,897	818,811	508,376	52,774	561,149	63,547	6,597	70,144
Market Risk	8,025	-	8,025	8,025	-	8,025	1,003	-	1,003
Operational Risk	62,158	-	62,158	62,158	-	62,158	7,770	-	7,770
Total	436,097	452,897	888,994	578,559	52,774	631,332	72,320	6,597	78,917

^[1] For capital adequacy computations, 100% of the RWAs are reckoned for self-financed assets while only 30% is considered for assets funded through equity of investment account holders (IAH).

^[2] Excludes credit risk mitigants of BD 139,138 thousand.

^[3] Excludes credit risk mitigants of BD 4,133 thousand.

3 Credit Risk

3.1 Levels of exposure

Gross credit exposure along with average credit exposure broken down under different exposure classes as at 30 June 2019 is as follows: BD000's

	Average ^[1] Exposure	Gross Exposure		
		Self-Financed	IAH	Total
Cash and bank balances ^[2]	107,308	47,258	29,012	76,270
Placement with financial institutions ^[2]	113,549	-	111,076	111,076
Financing assets ^[2]	342,813	216,859	135,226	352,085
Investment in sukuk ^[2]	177,475	-	181,716	181,716
Assets acquired for leasing(including lease rental receivables) ^[2]	132,416	133,464	-	133,464
Investment in equity securities	49,916	49,807	-	49,807
Investments in associates	4,535	4,533	-	4,533
Investment Real estate	18,081	18,081	-	18,081
Development property	6,251	248	-	248
Other assets, including property and equipment	26,978	33,539	-	33,540
Total funded Credit Exposure	979,321	503,790	457,030	960,820
Financial guarantees ^[3]	4,461	4,329	-	4,329
Undrawn commitments to extend finance ^[3]	-	-	-	-
Total unfunded Credit Exposure	4,461	4,329	-	4,329

^[1] Represents quarterly average balances for the six month period ended 30 June 2019.

^[2] Gross of ECL Stage 1 and Stage 2 provision.

^[3] Represents unfunded exposures amounts after considering their credit conversion factors.

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

3.2 Concentration of credit risk

3.2.1 Geographic distribution

The geographical exposure profile as at 30 June 2019 was as follows:

BD 000's

30 June 2019	GCC Countries	Europe	USA	Asia	Australia	Total
Assets						
Cash and bank balances	75,270	622	367	13	-	76,271
Placement with financial institutions	111,072	-	-	-	-	111,072
Financing assets	331,464	11,677	-	42	-	343,183
Investment in sukuk	181,702	-	-	-	-	181,702
Assets acquired for leasing (including lease rentals receivable)	132,699	-	-	40	-	132,739
Investment in equity securities	29,292	-	-	16,847	3,668	49,807
Investment in associates	4,533	-	-	-	-	4,533
Investment in Real Estate	18,081	-	-	-	-	18,081
Development property	6,251	-	-	-	-	6,251
Other assets	25,015	15	-	721	-	25,751
Property and equipment	7,688	-	-	-	-	7,688
Total funded exposures	923,067	12,313	367	17,663	3,668	957,078
Guarantees	10,579	-	-	-	-	10,579
Undrawn financing facilities	67,557	-	-	-	-	67,557
Total unfunded exposures	78,136	-	-	-	-	78,136

3.2.2 Industry/ sector-wise distribution

The Board of Directors has stipulated maximum exposures to various industry sectors. The industry/ sector wise exposure as at 30 June 2019 was as follows:

BD 000's

30 June 2019	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and bank balances	76,271	-	-	76,271
Placement with financial institutions	111,072	-	-	111,072
Financing assets	8,595	110,417	224,171	343,183
Investment in sukuk	11,765	7,533	162,404	181,702
Assets acquired for leasing (including lease rentals receivable)	-	132,739	-	132,739
Investment in equity securities	13,148	32,991	3,669	49,807
Investment in associates	-	4,533	-	4,533
Investment in Real Estate	-	18,081	-	18,081
Development property	-	6,251	-	6,251
Other assets	82	14,787	10,882	25,751
Property and equipment	-	6,739	949	7,688
Total funded exposure	220,933	334,070	402,075	957,078
Guarantees	-	2,884	7,695	10,579
Undrawn financing facilities	-	47,910	19,647	67,557
Total unfunded exposures	-	50,794	27,342	78,136

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

3.2.3 Transactions with related counterparties

Related counterparties are those entities which are related to the Bank through significant shareholding, control, or both. Wherever the Bank has entered into business transactions with such counterparties, such transactions have been done at an arm's length basis and on commercial terms that bring no disadvantage to the Bank. For the purpose of identification of related counterparties, the Bank strictly follows the guidelines issued by CBB for this purpose. Transactions with related parties during the six months period ended 30 June 2019 and outstanding balances pertaining to related parties are as follows:

BD 000's

30 June 2019	Associates	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Assets					
Financing assets	-	2,119	5,710	-	7,829
Investment in equity securities	-	-	2,284	20,515	22,799
Other assets	117	-	-	1,203	1,320
Liabilities					
Placement with financial institutions	-	1,816	93,917	-	95,733
Customers' current accounts	75	57	6,145	1,475	7,752
Equity of investment account holders	415	1,057	96,205	415	98,092

Six months ended 30 June 2019	Associates	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from financing assets and assets acquired for leasing	-	64	185	-	249
Other losses	(42)	-	-	-	(42)
Expenses					
Expense on placements from financial institutions, non-financial institutions and individuals	-	43	2,074	-	2,117
Return to investment account holders	8	12	1,633	5	1,658
Investment related expenses	-	-	-	17	17
Staff cost	-	614	-	-	614

3.2.4 Exposures exceeding materiality thresholds

The Bank is required to carry out capital adjustments (deduction) for its exposure to significant investments in capital of banking and financial entities subject to certain materiality thresholds as defined in the Capital Adequacy Module ("CA Module") of the CBB Rule Book.

Further, the exposures in excess of limits prescribed by Credit Risk Management Module ("CM Module") (single obligor limit of 15% of total capital and aggregate limit for connected counterparty exposure of 25% of total capital) are subject to risk weight of 800%. For investment in a financial entity where ownership is < 10% of the issued common capital, 60% of the amount exceeding 10% of CET1(a) is subject to deduction from CET1(a). The following table summarizes the exposures exceeding regulatory limits as of 30 June 2019:

BD 000's

Counterparty	Exposure type	Total exposure	Exposure as a percentage of total capital	Exposure in excess of the limits
Connected counterparties	Investments, financing and other assets	13,913	13.28%	-
Investment in financial entities	Investment in financial entities <10%	13,148	12.55%	3,068*

* In line with the transitional provisions of CA module 100% of the exposure exceeding materiality threshold (BD 3,068 thousand) has been considered for regulatory capital adjustment.

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

3.2.5 Exposures in highly leveraged counterparties

The following balances represent the financing facilities to highly leveraged or other high risk counterparties as of 30 June 2019:

Counterparties	Gross BD '000	Provision BD '000	Net BD '000
Counterparty # 1	8,518	1,735	6,783

3.2.6 Residual contractual maturity of the credit portfolio and investment in sukuk

The Bank's policy allows exposures up to a maximum period of 7 years for corporate customers and 25 years for retail customers with any exceptions to be approved by the Board of directors. The Bank constantly monitors the residual maturity profile of its assets to ensure that any mismatch with the maturity of its liabilities is kept within acceptable limits. The contractual residual maturity profile by type of financing contract of the Bank's credit portfolio and investment in sukuk in banking book is given in the table below (in BD 000's):

Maturity Scale	< 1 M	1 - 3 M	3 - 6 M	6M - 1Y	1 - 3Y	3 - 5Y	5 - 10Y	10 - 20Y	Over 20Y	Total
Credit portfolio:										
Murabaha	42,253	23,884	24,418	73,131	86,494	48,969	33,870	173	8	333,200
Musharaka	-	-	826	-	-	-	-	-	-	826
Mudaraba	72	21	31	51	239	230	489	-	-	1,133
Wakala	4,316	-	-	-	-	-	-	-	-	4,316
Istisna	41	-	42	97	503	607	2,418	-	-	3,708
Ijarah	2,441	2,610	3,811	13,942	33,186	16,464	35,155	20,500	4,631	132,739
Total	49,123	26,515	29,127	87,221	120,421	66,271	71,931	20,673	4,639	475,921
Investment in sukuk- banking book	-	-	-	-	18,205	18,746	144,751	-	-	181,702
Total	-	-	-	-	18,205	18,746	144,751	-	-	181,702
Grand Total	49,123	26,515	29,127	87,221	138,626	85,017	216,682	20,673	4,639	657,623

3.3 Equity risk in banking book

The Bank has certain equity investments in the Banking book and they are subject to credit risk weighting under the capital adequacy framework.

Information on equity investments

BD 000's

Privately held
Dividend income

49,807
299

The following are the categories under which equity investments are included in the capital adequacy computations as per the requirements of the CBB rules:

Equity investments in banking book	BD 000's					
	Gross exposure		Risk weighted exposure		Capital requirement @ 12.5%	
	Self-financed*	IAH	Self-financed	IAH	Self-financed	IAH
Unlisted	13,747	-	20,622	-	2,578	-
Investments in unlisted real estate companies	32,992	-	131,968	-	16,496	-
Capital deduction	3,068	-	-	-	-	-
Total	49,807	-	152,590	-	19,074	-

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

3.4 Geographical and sector wise break up of impairment allowances and impaired and past due accounts

	BD 000's			
	GCC Countries	Europe	Asia	Total
Impaired and non-performing				
3 months to 1 year	67,391	8,518	-	75,910
1 year to 3 years	20,204	-	-	20,204
More than 3 years	789	-	-	789
	88,384	8,518	-	96,902
Less: Stage 3 ECL allowance				
At 1 January 2018	15,777	-	-	15,777
Transfer to Stage 3	853	482	-	1,335
Charge during the period*	2,086	1,253	-	3,339
At 30 June 2019	18,716	1,735	-	20,451
Carrying amount	69,668	6,783	-	76,451
Past due but not impaired, including substandard:				
Up to 3 months	95,548	-	-	95,548
3 months to 1 year	-	-	-	-
More than 1 year	-	-	-	-
	95,548	-	-	95,548
Stage 1 and Stage 2 ECL allowance	8,135	72	-	8,207

	BD 000's			
	Banks and financial institutions	Real estate	Others	Total
Impaired:				
3 months to 1 year	1,055	32,514	42,340	75,910
1 year to 3 years	-	3,808	16,396	20,204
More than 3 years	-	214	575	789
	1,055	36,536	59,311	96,902
Less: Stage 3 ECL allowance				
At 1 January 2018	-	2,643	13,134	15,777
Transfer to Stage 3	129	59	1,146	1,335
Charge during the period*	-	1,402	1,937	3,339
Write off during the year	-	-	-	-
At 30 June 2019	129	4,105	16,217	20,451
Carrying amount	926	32,431	43,094	76,451
Past due but not impaired:				
Up to 3 months	-	27,817	67,731	95,548
3 months to 1 year	-	-	-	-
More than 1 year	-	-	-	-
	-	27,817	67,731	95,548
Stage 1 and Stage 2 ECL allowance*	79	1,907	6,221	8,207

* Charge during the period includes write backs of BD 1,575 thousand for the six months ended 30 June 2019.

For the movement on impairment allowance of financing assets, please refer to note 8 of the condensed consolidated interim financial information for the six month ended 30 June 2019.

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

3.5 Renegotiated facilities

During the period, facilities of BD 28,758 thousands were renegotiated, out of which BD 1,120 thousand are classified as neither past due nor impaired as of 30 June 2019. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD.

3.6 Legal action and write off of exposures

The Bank has policies for initiation and prosecution of legal action when all amicable avenues for settlement of dues from a customer have been exhausted. As at 30 June 2019, the Bank was involved in 271 litigations for recovery of dues from clients amounting to BD43 million. In addition, there were 6 claims brought by 6 of the investors and clients against the Bank of BD 232K which the Bank is defending. The Bank has made adequate provisions for any loss that may arise from such litigations.

The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means. The Bank has no written-off deals for the six months period ended 30 June 2019.

3.7 Penalties for delayed payments

In cases where customers delay the payments of dues to the Bank, the Bank has the right to collect penalties, subject to the provisions of the agreement between the customer and the Bank. The Bank recovers such penalties from customers when the amounts are significant. As per policy such penalties are maintained in a separate account and used for charity purposes approved by the Bank's Shari'a Board.

The Bank has a policy of creating a contribution for Charity and Zakah fund for any non-Islamic income earned. During the six months period ended 30 June 2019, an amount of BD 195 thousand was transferred to Charity and Zakah fund, out of which BD 8 thousand is related to non-Islamic income.

3.8 Credit risk mitigation

The position of collateral cover for all credit exposures categorized on the basis of the type of security as on 30 June 2019 is given in the table below:

BD 000's

Collateral Type	Murabaha	Musharaka	Mudaraba	Wakala	Istisna	Ijara	Value of collateral ^[1]	Gross Exposure ^[2]	% of cover	% of Total
Real Estate	229,180	10,213	-	3,016	2,498	182,438	427,345	291,708	146%	95%
Listed Securities	-	-	-	-	-	-	-	-	0%	0%
Unlisted Securities	-	-	-	-	-	-	-	-	0%	0%
Bank Guarantee	-	-	-	-	-	-	-	-	0%	0%
Cash Collateral	16,443	-	-	-	-	662	17,104	38,105	45%	4%
Unsecured	-	-	-	-	-	-	-	156,330	0%	0%
Others	5,012	-	-	-	-	-	5,012	18,437	27%	1%
Total	250,635	10,213	-	3,016	2,498	183,099	449,461	504,580	89%	100%

^[1] Represents collateral values based on the last valuation carried out based on the Bank's valuation policy including collaterals which exceed the book value of the facility.

^[2] The amounts are gross of Stage 1 and Stage 2 ECL BD 8,207 thousand and Stage 3 ECL BD 20,451 thousand.

The Bank has a policy of disposal of asset held as collateral not readily convertible into cash, after completion of necessary legal formalities. During the half year ended 30 June 2019, the Bank had repossessed real estate collateral of BD 8,120 thousand.

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

3.9 Regulatory capital requirements by type of financing contracts

BD 000's

Financing contracts	Exposure		Credit Risk Weighted Assets		Capital Requirement @ 12.5%	
	Self-financed	IAH	Self-financed	IAH	Self-financed	IAH
Murabaha	208,760	132,625	217,906	38,548	27,238	4,819
Ijara assets (including lease rentals receivable)	132,739	-	-	-	-	-
Musharaka	2,762	-	2,762	-	345	-
Mudharabah	1,055	-	1,055	-	132	-
Wakala	5,007	-	5,007	-	626	-
Istisna	-	2,601	-	780	-	98
Total	350,323	135,226	226,730	39,328	28,341	4,917

4 Market Risk

4.1 Regulatory capital allocation against market rate risk

The table below shows the market risk position for each category of the market risk as at period ended 30 June 2019 along with the maximum and minimum values during the period:

BD 000's

	As at 30 June	Max	Min
Equity position risk	-	-	-
Market risk on trading positions in sukuk	-	-	-
Foreign exchange risk	642	655	642
Commodity risk	-	-	-
Total (A)			
Risk Weighted Assets (A x 12.5)	8,025	8,188	8,025
Capital requirement @ 12.5%	1,003	1,024	1,003

5 Operational Risk

5.1 Regulatory capital allocation against operational risk

The Bank uses the Basic Indicator Approach ("BIA") in calculating its regulatory capital requirement for operational risk.

The risk weighted assets and capital requirement for operational risk as at 30 June 2019 is as given below:
BD 000's

Average gross income for 3 years (A)	33,151
Operational Risk Weighted Assets B = (A x 15% x 12.5)	62,158
Capital requirement (B x 12.5%)	7,770

6 Other Risks

6.1 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting its financial obligations on account of a maturity mismatch between assets and liabilities. The Bank's approach to managing liquidity is to ensure that it will always have sufficient funds to meet its liabilities when due without incurring unacceptable losses or risking damage to the Bank's reputation.

Khaleeji Commercial Bank BSC

Risk Management Disclosures for the six months ended 30 June 2019

Maturity profile of assets and liabilities based on residual contractual maturity or expected maturity as at 30 June 2019 is as follows:

BD 000's

30 June 2019	Up to 3 months	3 to 6 months	6 months-1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	61,320	3,182	9,034	2,735	-	76,271
Placements with financial institutions	110,018	1,054	-	-	-	111,072
Financing assets ¹	70,588	25,316	73,279	127,504	46,496	343,183
Investment in sukuk	141,214	-	40,488	-	-	181,702
Investment in equity securities	-	-	-	25,069	24,738	49,807
Assets acquired for leasing ² (including lease rental receivables)	5,051	3,811	13,942	33,186	76,749	132,739
Investment in associates	924	-	-	1,981	1,628	4,533
Investment properties	-	-	-	-	18,081	18,081
Development property	-	-	-	-	6,251	6,251
Other assets	1,848	182	47	14,700	8,974	25,751
Property and equipment	-	-	-	-	7,688	7,688
Total assets	390,963	33,545	136,790	205,175	190,605	957,078

Liabilities	Up to 3 months	3 to 6 months	6 months-1 year	1 to 3 years	Over 3 years	Total
Placements from financial institutions	28,347	115,938	7,749	-	-	152,035
Placements from non-financial institutions and individuals	32,780	44,155	40,027	8,961	2,811	128,734
Medium-Term Borrowing	34,571	-	-	-	-	34,571
Customers' current accounts ³	20,089	6,359	6,906	7,892	24,097	65,343
Other liabilities	3,811	2,303	1,438	8,697	-	16,250
Total liabilities	119,599	168,755	56,121	25,550	26,908	396,933
Equity of Investment Account Holders³	104,324	71,015	115,196	79,744	86,751	457,030
Restricted Investment accounts	-	-	6,254	4,427	-	10,681
Commitments	23,215	8,829	33,905	12,181	6	78,136

³ Allocated using behavioral approach to compute expected maturity profile.

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

Following are the key liquidity ratios which reflect the liquidity position of the Bank for the past 5 years:

	June 2019	2018	2017	2016	Figures in % 2015
Inter-bank assets to inter-bank liabilities	74.53%	62.61%	47.02%	162.20%	115.60%
Liquid assets to total assets	34.33%	60.02%	22.19%	27.30%	22.75%
Liquid assets to total deposits	50.46%	47.55%	35.12%	35.94%	30.65%
Net liquid assets to total deposits	27.11%	18308%	10.07%	25.78%	20.96%

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

6.2 Profit rate risk in the banking book

A summary of the Bank's profit rate gap position at 30 June 2019 is as follows:

BD 000's

30 June 2019	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 3 years	More than 3 years	Total
Assets						
Placements with financial institutions	110,018	1,054	-	-	-	111,072
Financing assets	40,731	15,909	35,088	51,251	200,204	343,183
Assets acquired for leasing (including lease rental receivables)	29	-	6,605	2,167	123,938	132,739
Investments securities (sukuk)	-	-	-	3,091	178,611	181,702
Total profit rate sensitive assets	150,779	16,963	41,693	56,509	502,754	768,696
Liabilities						
Placements from financial institutions	28,347	115,938	7,749	-	-	152,035
Placements from non-financial institutions and individuals	30,698	24,889	36,728	36,419	-	128,734
Medium-Term Borrowing	34,571	-	-	-	-	34,571
Customers' current accounts	1,453	-	-	-	-	1,453
Equity of investment account holders	174,231	67,619	181,699	33,481	-	457,030
Total profit rate sensitive liabilities	269,300	208,447	226,177	69,900	-	773,823
Profit rate gap	(118,522)	(191,484)	(184,484)	(13,391)	502,754	(5,127)

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise across all yield curves and a 50 bp rise or fall of all yield curves.

An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position position) is as follows:

	100bp parallel increase/ decrease	50bp increase/ decrease
At 30 June 2019	± 51.27	± 25.63
At 31 December 2018	± 149.46	± 74.73

The other principal risk, to which the banking book is exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the RMD in its day-to-day monitoring activities. The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel fall or rise across all yield curves and a 50 bps rise or fall of all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position position) is as follows:

	200bp parallel increase/ decrease
At 30 June 2019	± 102.54
At 31 December 2018	± 298.92

6.3 Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. The Bank does not engage in proprietary trading of equity, foreign exchange or its derivatives. However, the Bank enters into Shari'a compliant foreign exchange risk/ profit rate risk transactions to hedge its risks arising out of mismatch in its asset liability portfolios. Clear policies for such transactions are in place. For other credit markets transactions (primarily interbank placements), the Bank has established a matrix of counterparty limits based on external credit rating of such counterparties. Such limits are constantly monitored by the Banks Risk Management Department. As at 30 June 2019, the Bank did not have any open position in foreign currency risk management instruments.

6.4 Concentration risk

Concentration risks arises when a number of obligors, counterparties or investees are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Accordingly, such concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or region. The Bank has established exposure limits to various geographic regions and industry sectors. For break-up of exposure geography and industry/ sector wise, please refer points 3.2.1 and 3.2.2 above.

6.5 Reputational risk

Reputation risk is the risk that negative perception regarding the Bank's business practices or internal controls, whether true or not, will cause a decline in the Bank's investor base, lead to costly litigation that could have an adverse impact on liquidity or capital of the Bank. Being an Islamic Bank, reputation is an important asset and among the issues that could affect the Bank's reputation is the inability to exit from investments, lower than expected returns on investments and poor communication to investors. The Bank has a well-developed and coherently implemented communication strategy to cover such contingencies. The Bank also allocates additional capital for such risks under its ICAAP.

6.6 Displaced commercial risk

Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by equity of investment account holders. This can be due to the return on such assets being lower than that of competitors. The Bank has adequate policies and procedures in place to identify, monitor and address all potential risks that may arise from such activities. Please refer to the section on IAH for further details.

6.7 Other risks

Other risks include strategic risk, fiduciary risks, and regulatory risks etc. which are inherent in all business and are not easily measurable or quantifiable. The Bank's Board has overall responsibility for approving and reviewing the risk strategies and amendments to the risk policies. The Bank senior management is responsible for implementing the risk strategy approved by the Board. The management also ensures that internal systems of corporate governance and regulatory compliance for management of fiduciary and reputational risks are robust and effective. The Bank also allocates additional capital for such risks under its ICAAP.

7 Compliance Disclosure

During the period, there were no penalties paid to the CBB.

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

8 Financial Performance

Following are basic quantitative indicators of the financial performance:

(Annualized rates)

	June 2019	2018	2017	2016	2015
Return on average equity	0.33%	2.45%	0.71%	4.77%	7.48%
Return on average assets	0.04%	0.36%	0.11%	0.77%	1.27%
Finance income to finance expense	110.81%	155.60%	221.37%	375.08%	231.02%
Cost-to-Income-Ratio*	58.69%	64.59%	60.80%	44.31%	53.64%

* Cost has been considered excluding impairment allowances.

9 Product Disclosures

9.1 Equity of investment account holders (IAH's)

The details of income distribution to IAH holders for the last five years are given below:

BD 000's

	June 2019	2018	2017	2016	2015
Allocated income to IAH	11,262	5,806	14,884	16,286	16,933
Distributed profit *	7,212	4,059	7,447	7,156	7,382
Mudarib fees	4,050	1,747	7,437	9,130	9,551
As at 30 June					
IAH ^[1]	460,800	340,921	383,561	380,975	378,596
Profit Equalisation Reserve (PER)	-	-	-	-	-
Investment Risk Reserve (IRR)	-	-	-	-	-
Profit Equalisation Reserve-to-IAH (%)	-	-	-	-	-
Investment Risk Reserve-to-IAH (%)	-	-	-	-	-

^[1] Represents average balance

* Includes contribution towards deposit protection scheme

Ratio of profit distributed to PSIA by type of IAH (based on tenor):

BD 000's

Mudaraba Tenor	Profit distribution amount in BD					Ratio of profit paid as a percentage of total				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
1 Month ^[2]	1,006	1,029	959	834	1,009	14.0	11.79	12.9	11.6	13.7
3 Months	265	290	297	405	350	3.7	3.38	4.0	5.7	4.7
6 Months	320	536	1,012	1,346	1,330	4.4	6.23	13.6	18.8	18.0
12 Months	2,249	3,936	3,024	3,039	3,667	31.2	45.75	40.6	42.5	49.7
18 Months	3	6	6	8	2	0.0	0.07	0.1	0.1	-
24 Month	440	122	239	25	5	6.1	1.42	3.2	0.4	0.1
36 Month	106	367	3	-	-	1.5	4.26	-	-	-
VIP Mudaraba	2,823	2,316	1,907	1,499	1,019	39.1	26.92	25.6	20.9	13.8
Total	7,212	8,602	7,447	7,156	7,382	100.0	100.0	100.0	100.0	100.0

^[2] Includes saving account and call mudaraba

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

9.1 Equity of investment account holders (IAH's) (Continued)

Distribution of profits by type of IAH products:

(Annualised rates)

Year	Avg. profit earned from IAH assets (%age of asset)	PER set aside as a %age of IAH assets	IRR set aside as a %age of IAH assets	Mudharib fees as a %age of IAH assets	Profit paid as a %age of IAH assets
2019	4.89	-	-	1.76	3.13
2018	4.41	-	-	1.63	2.50
2017	3.88	-	-	1.94	1.94
2016	4.27	-	-	2.40	1.88
2015	1.95	-	-	2.57	1.99

Following are the average profit rates declared and distributed to the investors by the Bank:

(Annualised rates)

Type of deposit	2019	2018	2017	2016	2015
1 month Mudharaba ^[3]	1.19%	0.86%	0.64%	0.64%	0.78%
3 months Mudharaba	3.52%	2.51%	1.79%	1.55%	1.75%
6 months Mudharaba	3.75%	2.96%	3.07%	2.85%	2.69%
12 months Mudharaba	3.80%	3.37%	2.81%	2.62%	2.75%
18 months Mudharaba	3.45%	2.81%	2.73%	2.67%	2.80%
24 months Mudharaba	5.40%	3.26%	3.49%	3.01%	2.91%
36 Months Mudharaba	2.18%	4.93%	3.39%	-	-
VIP Mudharaba	5.00%	3.10%	2.39%	2.32%	2.00%

^[3] Includes saving account and call mudaraba

Market benchmark rates:

The Bank refers to the group of commercial Islamic banks incorporated in the Kingdom of Bahrain so as to benchmark the rate of return on IAH.

IAH account by type of assets:

The following table summarizes the movement in type of assets in which the IAH funds are invested and allocated among various type of assets for the year ended 30 June 2019:

Particular	Allocation at 1 January 2019	Movement	Allocation at 30 June 2019	Proportion of total assets (%)	% of funding by IAH as at 30 June 2019
Cash and bank balances	76,321	(47,309)	29,012	6.35%	38.04%
Placements with financial institutions	43,637	67,435	111,072	24.30%	100.00%
Financing assets:	65,091	70,153	135,244	29.59%	39.41%
-Murabaha	63,037	69,606	132,643	29.02%	38.65%
-Istisna	2,054	547	2,601	0.57%	0.76%
Investment securities – Sukuk	161,324	20,378	181,702	39.76%	100.00%
Total	346,373	110,657	457,030		

Variations in Mudarib's agreed profit-sharing ratio from the contractually agreed ratio

	June 2019	2018	2017	2016	2015
Average mudarib share as a percentage of total income allocated to IAH	48.00%	41.82%	41.86%	53.57%	55.68%
Average mudarib share contractually agreed with IAH	60.07%	62.20%	58.80%	64.80%	62.81%
Average mudarib fees sacrificed by the Bank	12.07%	20.38%	16.94%	11.23%	7.13%

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

9.2 Restricted Investment Accounts (RIA's)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					June 2019	2018	2017	2016	2015
RIA 1 - Safana	An investment structure designed to participate in the equity interest of Safana Investment WLL. A company established for the purpose of acquiring reclaimed land to subdivide and sell, the Bank made an offer to buy back < BD 20,000 of each investors funds in RIA 1 at par. This offer was formalized in a letter to investors dated 25 May 2011. A total of 74 of the 95 RIA 1 investors accepted the offer at a cost of BD 1,220,000 to the Bank and resulting in a total of 39 investors being fully exited from the RIA. As a result, total investors funds have reduced to BD 8.34 million.	2007	61.78% over product tenor	Bullet payment on maturity	-	-	-	-	-
RIA 5 - North Gate	A restricted investment product which owns a 6.0% stake in Shaden Real Estate Investment WLL which in turn (through its subsidiaries), holds a parcel of reclaimed land measuring approximately 3.875 million Sq. Meters (located in Al-Hidd, Muharraq). The mixed-use plot will be sold to end users subsequent to the completion of infrastructure works. During the period, the Bank has bought back 4,040,000 shares (50%) from its investors at BD 4,242,000 at a profit of 5%. End of the December 2018, dividend 3.394% declared and paid subsequently.	2008	90.66% over product tenor	Bullet return at maturity	-	3.394%	-	-	-

Khaleeji Commercial Bank BSC
Risk Management Disclosures for the six months ended 30 June 2019

9.2 Restricted Investment Accounts (RIA's)(Continued)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					June 2019	2018	2017	2016	2015
RIA 6 - Locata	A Restricted Mudaraba product which entitles the investors beneficial ownership of 25% equity share capital of Locata Corporation Pty Ltd., a company incorporated in Australia. The Company has invented a new and patented wireless radiolocation technology and shall use this funding to scale up its production capacity, sales/marketing channels and further product enhancement capabilities. During 2014, 479 shares were bought back from its investors.	2009	110.54% over product tenor	Bullet return at maturity	-	-	-	-	-