

BANK ALKHAIR B.S.C. (c)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

30 JUNE 2014

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	4 th Floor Building No. 2304, Road 2830, Seef District 428 PO Box 31700, Manama, Kingdom of Bahrain
Directors	:	Yousef Abdullah AlShelash, <i>Chairman</i> Hethloul Saleh AlHethloul Abdullatif Abdullah AlShalash Ayman Ismail Abudawood Abdulaziz Naif Al Orayer Ahmed Saleh Dehailan Khaled Shaheen Saqer Shaheen Khaled Abdulla Mohammed Ateeq Abdullah Ali Al Dubaikhi Majed Abdulrahman Al Qasem Sultan Abdulrahman Abalkheel Abdulrazaq Mohamed Al Wohaib Ali Saleh Al Othaim Khalid Mohamed Abdulrahim Mohamed Hamad Abdulrazaq Al-Turkait (w.e.f. 1 April 2014)
Acting Chief Executive Officer	:	Jonathan H. Holley
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To
The Board of Directors
Bank Alkhair B.S.C. (c)
Seef
Kingdom of Bahrain

13 September 2014

Introduction

We have reviewed the accompanying 30 June 2014 condensed consolidated interim financial information of Bank Alkhair B.S.C. (c) (the "Bank") and its subsidiaries (the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2014;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2014;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2014;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2014; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

US\$ 000's

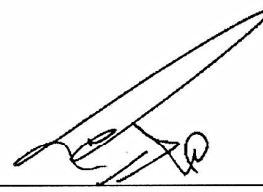
	note	30 June 2014 (reviewed)	31 December 2013 (audited)
ASSETS			
Cash and balances with banks		7,658	15,836
Placements with financial institutions		42,937	74,390
Financing receivables	6	18,322	52,309
Investment securities	7	84,947	79,186
Assets held-for-sale	8	240,059	216,764
Equity-accounted investees	9	107,612	107,389
Investment property	10	73,068	73,719
Other assets	11	4,597	7,410
Equipment		1,432	1,587
TOTAL ASSETS		580,632	628,590
LIABILITIES AND EQUITY			
LIABILITIES			
Placement from financial institutions		35,889	51,173
Due to customers		177,730	217,594
Liabilities related to assets held-for-sale	8	100,608	92,427
Other liabilities	12	16,413	18,810
TOTAL LIABILITIES		330,640	380,004
EQUITY			
Share capital		207,962	207,862
Statutory reserve		664	664
Fair value reserve		170	114
Foreign currency translation reserve		(9,993)	(9,499)
Accumulated losses		(34,483)	(29,768)
Equity attributable to the shareholders of the Parent		164,320	169,373
Non-controlling interests		29,486	28,456
Non-controlling interests related to assets held-for-sale	8	56,186	50,757
TOTAL EQUITY (page 4)		249,992	248,586
TOTAL LIABILITIES AND EQUITY		580,632	628,590

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 20 on 13 September 2014.



Yousef Abdullah Al-Shelash

Chairman



Hethloul Saleh Al-Hethloul

Board Member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2014

US\$ 000's

	Note	Six months ended		Three months ended	
		30 June 2014 (reviewed)	30 June 2013 (reviewed)	30 June 2014 (reviewed)	30 June 2013 (reviewed)
Continuing operations					
Finance income		1,382	3,623	559	1,819
Finance expense		(4,739)	(3,808)	(2,254)	(2,073)
Net finance expense		(3,357)	(185)	(1,695)	(254)
Income from investment securities	13	5,823	5,449	4,484	3,076
Fees and commission	14	2,796	3,310	1,706	2,155
Share of profit of equity-accounted investees	9	3,376	3,106	1,721	1,577
Gain on acquisition of assets held-for-sale		-	14,003	-	14,003
Rental income		1,694	-	867	-
Other income		144	381	71	145
Total income		10,476	26,064	7,154	20,702
Staff cost		6,814	8,209	3,485	4,035
Legal and professional expenses		1,684	7,914	855	6,472
Premises cost		648	1,401	291	708
Business development expenses		263	226	123	100
Depreciation and amortisation		1,024	739	822	333
Other operating expenses		2,060	2,151	682	1,172
Total expenses		12,493	20,640	6,258	12,820
(Loss) / profit for the period before Zakah and impairment		(2,017)	5,424	896	7,882
Provision for Zakah		-	(720)	35	(340)
Impairment allowance	9	(3,500)	(1,200)	(3,500)	(1,200)
(Loss) / profit for the period from continuing operations		(5,517)	3,504	(2,569)	6,342
Income from assets held-for-sale and discontinued operations		2,580	180	1,222	180
(Loss) / profit for the period		(2,937)	3,684	(1,347)	6,522
Attributable to:					
Shareholders of the Parent		(4,715)	4,296	(1,966)	6,732
Non-controlling interests		468	(701)	(21)	(299)
Non-controlling interests relating to assets held-for-sale		1,310	89	640	89
		(2,937)	3,684	(1,347)	6,522

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2014

US\$ 000's

	Attributable to the shareholders of the Parent					Non-controlling interests	Non-controlling interests related to assets held-for-sale	Total equity	
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve *	Accumulated losses				Total
30 June 2014 (reviewed)									
As at 1 January 2014	207,862	664	114	(9,499)	(29,768)	169,373	28,456	50,757	248,586
(Loss) / profit for the period	-	-	-	-	(4,715)	(4,715)	468	1,310	(2,937)
Foreign currency translation differences	-	-	-	(683)	-	(683)	71	-	(612)
Share of changes in reserves of equity-accounted investees	-	-	56	189	-	245	-	-	245
Total recognised income and expense for the period	-	-	56	(494)	(4,715)	(5,153)	539	1,310	(3,304)
Capital increase (note 1)	100	-	-	-	-	100	-	-	100
Non-controlling interests related to assets held-for-sale	-	-	-	-	-	-	-	4,119	4,119
Changes in non-controlling interests	-	-	-	-	-	-	491	-	491
As at 30 June 2014	207,962	664	170	(9,993)	(34,483)	164,320	29,486	56,186	249,992

* Translation reserve amounting to US\$ 6,306 thousand (30 June 2013: US\$ 6,306 thousand) is attributable to assets held-for-sale and will be recycled to the consolidated income statement on disposal

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 for the six months ended 30 June 2014 (continued)

US\$ 000's

	Attributable to the shareholders of the Parent					Non-controlling interests	Non-controlling interests related to assets held-for-sale	Total equity	
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Accumulated losses				Total
30 June 2013 (reviewed)									
As at 1 January 2013	207,862	337	114	(8,485)	(32,715)	167,113	28,767	-	195,880
Profit / (loss) for the period	-	-	-	-	4,296	4,296	(701)	89	3,684
Foreign currency translation differences	-	-	-	(353)	-	(353)	(30)	-	(383)
Fair value reserve			277			277			277
Share of changes in reserves of equity-accounted investees	-	-	-	(379)	-	(379)	-	-	(379)
Total recognised income and expense for the period	-	-	277	(732)	4,296	3,841	(731)	89	3,199
Non-controlling interests related to assets held-for-sale	-	-	-	-	-	-	-	48,604	48,604
As at 30 June 2013	207,862	337	391	(9,217)	(28,419)	170,954	28,036	48,693	247,683

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2014

US\$ 000's

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
OPERATING ACTIVITIES		
(Loss) / profit for the period	(2,937)	3,684
Adjustments for:		
Provision for Zakah	-	720
Loss / (gain) on sale of investment securities	(149)	(431)
Fair value changes in investment securities	(5,293)	(4,469)
Share of profit of equity-accounted investees	(3,376)	(3,106)
Depreciation and amortisation	1,024	739
Sukuk amortisation	(90)	(36)
Gain on acquisition of assets held-for-sale	-	(14,003)
Income from assets held-for-sale and discontinued operations	(2,580)	(180)
Impairment allowance	3,500	1,200
	(9,901)	(15,882)
Changes in:		
Financing receivables	33,278	(3,920)
Other assets	2,697	8,965
Placement from financial institutions	(15,282)	(27,739)
Due to customers	(39,866)	82,823
Other liabilities	(2,297)	(3,233)
Net cash (used in) / generated from operating activities	(31,371)	41,014
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(102)	70
Proceeds from sale of investment securities	4,356	16,533
Purchase of investment securities	(11,658)	(3,818)
Dividends received	-	2,168
Net cash (used in) / generated from investing activities	(7,404)	14,953
FINANCING ACTIVITIES		
Repayment of bank financing	-	(15,110)
Net cash used in financing activities	-	(15,110)
Net (decrease) / increase in cash and cash equivalents during the period	(38,775)	40,857
Effect of exchange rate changes on cash and cash equivalents	(856)	(504)
Cash and cash equivalents at the beginning of the period	90,226	71,718
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	50,595	112,071
Cash and cash equivalents comprise:		
Cash and balances with banks	7,658	25,511
Placements with financial institutions	42,937	86,560
	50,595	112,071

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**for the six months ended 30 June 2014**

US\$ 000's

30 June 2014 (reviewed)	At 1 January 2014	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 June 2014
Wakala contract	-	-	-	-	-	-

30 June 2013 (reviewed)	At 1 January 2013	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 June 2013
Wakala contract	-	500	8	(1)	-	507

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014**

US\$ 000's

1. REPORTING ENTITY

Bank Alkhair B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration No. 53462 on 29 April 2004 and operates under a wholesale Islamic banking license granted by the Central Bank of Bahrain (CBB). The Bank's registered office is at the 4th floor of Building No. 2304, Road No. 2830, Seef District 428, Manama, Kingdom of Bahrain.

The Bank and its subsidiaries (together referred to as "the Group") aim to provide a full range of investment banking products and services that are compliant with Shari'ah principles. The principal products and services offered by the Group are:

- financial advisory services;
- private equity, equity structuring, private placements and initial public offerings;
- facility structuring, restructuring and placement including project finance, securitisation and Sukuk;
- structuring and marketing of both open and closed end mutual funds as well as client portfolio management and brokerage services that aim to meet investor driven return and asset criteria;
- advisory and investment services for takaful (Islamic insurance) and retakaful (Islamic reinsurance) providers; and
- mergers and acquisitions, including deal sourcing, structuring, valuations and advisory.

During the period, the Group increase the share capital by US\$ 100 thousands due to reconciliation of accounting and statutory records by adjusting the subscription received earlier from a shareholder that was included under "other liabilities".

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards. Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – '*Interim Financial Reporting*'. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2013. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for foreseeable future. The management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, and accordingly, the condensed consolidated interim financial information has been prepared on a going concern basis.

Accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2013.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014**

US\$ 000's

2. BASIS OF PREPARATION (continued)*Judgements and estimates*

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2013.

During the period, the Group has acquired a business (note 8) and is currently in the process of determining fair values of the acquired identifiable assets and liabilities. The 30 June 2014 condensed consolidated interim financial information have been prepared using provisional accounting. It is possible that there may be adjustments to the recognised assets and liabilities in subsequent reporting periods that may require adjustments to the reported amounts and results in the 30 June 2014 condensed consolidated interim financial information.

Financial Risk Management

The Group's financial risk management objectives and policies are consistent with that disclosed in the audited consolidated financial statements for the year ended 31 December 2013.

3. The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position has been extracted from the audited consolidated financial statements for the year ended 31 December 2013 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts have been extracted from the condensed consolidated interim financial information for the six months ended 30 June 2013.

4. Seasonality

Due to nature of the Bank's business, the six months' results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

US\$ 000's

6. FINANCING RECEIVABLES

	30 June 2014 (reviewed)	31 December 2013 (audited)
Gross murabaha receivables	21,802	56,224
Less: Deferred profits	(206)	(641)
Net murabaha receivables	21,596	55,583
Less: Specific impairment allowances	(2,974)	(2,974)
Less: Collective impairment allowances	(300)	(300)
	18,322	52,309

7. INVESTMENT SECURITIES

	30 June 2014 (reviewed)	31 December 2013 (audited)
Equity type instruments		
<i>At fair value through income statement:</i>		
- Quoted equity securities	723	51
- Unquoted equity securities	27,762	29,846
- Quoted funds	9,002	7,037
- Unquoted funds	27,629	28,360
Total equity type instruments	65,116	65,294
Debt type instruments		
<i>At amortised cost :</i>		
- Sukuk	19,831	13,892
	84,947	79,186

8. ASSETS AND LIABILITIES HELD-FOR-SALE

	30 June 2014 (reviewed)	31 December 2013 (audited)
Subsidiaries held-for-sale		
- Assets	218,527	195,232
- Liabilities	(100,608)	(92,427)
Net assets	117,919	102,805
Investment in an associate	21,532	21,532

On 13 May 2014, the Group acquired additional stake of 20.41% in Tintoria International Limited (TI), a company incorporated and operated in United Arab Emirates and in which the Group already owned 41.44% resulting in TI becoming a subsidiary.

As per acquisition accounting requirements, the net identifiable assets and liabilities recognized on acquisition were measured at their fair values on the date of acquisition. The total consideration for the controlling stake amounted to US\$ 7,084 thousand. The Bank has provisionally recognised identifiable assets of US\$ 15,197 thousand and liabilities of US\$ 3,744 thousand at the date of acquisition which also represents the management's estimated fair value less cost to sell of the investment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

US\$ 000's

8. ASSETS AND LIABILITIES HELD-FOR-SALE (continued)

The Group has an active plan to sell its stake in TI, and accordingly, the asset and liabilities acquired are classified as held-for-sale and presented in the condensed consolidated statement of financial position. Equity stake held by external parties are classified as "non-controlling interests related to assets held-for-sale" in the condensed consolidated statement of financial position.

Subsidiaries held-for sale includes the Group's stake of 50.63% in Al Tajamout for Touristic Projects Plc, a subsidiary listed in Amman Stock Exchange. The Group has an active plan approved by the Board, to sell its stake in the Subsidiary, and accordingly, the subsidiary's asset and liabilities are classified as held-for-sale in the condensed consolidated statement of financial position. The equity of the remaining stake of 49.37% held by external parties is classified as "non-controlling interests related to assets held-for-sale" in the condensed consolidated statement of financial position.

Further, assets held-for-sale also includes US\$ 21,532 thousand (31 December 2013: US\$ 21,532 thousand) of investment in an associate, Burj Bank Limited, a commercial bank based in Pakistan, which was classified as held-for-sale in 2012 based on a signed agreement with a potential buyer which was not approved by the regulatory authority. The delay in exit was due to conditions beyond the control of the Group and the Group remains committed to continue with its plan to sell this asset.

The net result of operations of the subsidiaries during the period was income of US\$ 2,580 thousand (30 June 2013: US\$ 180 thousand) which is presented separately as "income from assets held-for-sale and discontinued operation" in the condensed consolidated income statement.

9. EQUITY-ACCOUNTED INVESTEEES

	30 June 2014 (reviewed)	31 December 2013 (audited)
BFC Group Holdings Ltd.	97,878	94,337
t'azur Company B.S.C. (c)	9,734	13,052
	107,612	107,389

The movement on equity-accounted investees is as follows:

	2014 (reviewed)	2013 (audited)
Balance at the beginning of the period	107,389	106,006
Acquisitions during the period	-	2,600
Share of profits of equity-accounted investees	3,376	5,752
Impairment allowance	(3,500)	-
Share of reserves of equity-accounted investees	347	(33)
Transferred to assets held-for-sale	-	(2,600)
Dividends received	-	(4,336)
Balance at the end of the period	107,612	107,389

t'azur Company B.S.C (c) has a commitment to provide a qard hassan to the extent of the accumulated deficit in the participants' fund of US\$ 35.5 million at 30 June 2014 (31 December 2013: US\$ 32.7 million). The Group's share of the commitment is US\$ 9.2 million (31 December 2013: US\$ 8.4 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

US\$ 000's

10. INVESTMENT PROPERTY

30 June 2014 (reviewed)

	Carrying value	Fair value
Land – Kingdom of Bahrain	17,706	19,788
Land and building – Kingdom of Saudi Arabia	55,362	56,013
	73,068	75,801

31 December 2013 (audited)

	Carrying Value	Fair value
Land – Kingdom of Bahrain	17,706	18,748
Land and building – Kingdom of Saudi Arabia	56,013	56,013
	73,719	74,761

11. OTHER ASSETS

	30 June 2014 (reviewed)	31 December 2013 (audited)
Deal related advances	-	2,265
Fees and expenses recoverable	2,902	2,511
Rental income receivable	710	-
Prepayments and advances	806	1,240
Intangible assets	189	300
Others	1,892	2,996
	6,499	9,312
Less: Provision for impairment	(1,902)	(1,902)
	4,597	7,410

12. OTHER LIABILITIES

	30 June 2014 (reviewed)	31 December 2013 (audited)
Provision for legal and professional expenses	820	820
Accruals and other provisions	2,067	1,765
Restructuring provision	419	419
Deal-related payables	4,725	4,740
Staff-related payables	2,273	2,512
Trade and other payables	6,109	8,554
	16,413	18,810

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

US\$ 000's

13. INCOME FROM INVESTMENT SECURITIES

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
Dividend income	2	-
Fair value gain on investment securities	5,293	4,469
Gain / (loss) on sale of investment securities	82	(47)
Sukuk income		
- Sukuk profit	379	549
- Gain on sale of sukuk	67	478
	5,823	5,449

14. FEES AND COMMISSION

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
Advisory fees	471	174
Placement, arrangement and underwriting fees	176	1,686
Management fees	1,740	1,316
Brokerage fees	409	134
	2,796	3,310

15. COMMITMENTS AND CONTINGENCIES

	30 June 2014 (reviewed)	31 December 2013 (audited)
Lease commitments	1,079	1,206
Guarantees	5,311	5,311
Financing	-	500
	6,390	7,017

Litigations and claims

The Bank has filed a number of legal cases against the former Chief Executive Officer before the Civil and Criminal Courts of the Kingdom of Bahrain and the UK. At the same time the former CEO has filed a court case in the Bahraini courts for wrongful dismissal. The Bahraini Courts have ruled in favor of the Bank in a number of the civil and criminal cases. The case in the UK was filed by the Bank to remedy the damages resulting from defamation and unlawful conspiracy. The case is still in its early stages.

A number of employment claims have been filed against the Bank by former employees. The Bank's external legal counsel has confirmed that the Bank has strong grounds to successfully defend itself against these claims. No disclosure regarding contingent liabilities arising from the employment claims has been made as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

The Group's share of commitments arising from its equity-accounted investees is given in note 9.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

US\$ 000's

16. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include significant shareholders and entities over which the Bank and shareholders exercise significant influence, directors, members of Shari'ah Supervisory Board and executive management of the Bank.

Compensation of key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation during the period is as follows:

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
Short term employee benefits	1,178	1,594
Post-employment benefits	312	834
	1,490	2,428

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

US\$ 000's

16. RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2014 (reviewed)				31 December 2013 (audited)			
	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities
Assets								
Financing receivables	-	-	-	7,898	7,281	-	-	7,097
Investment securities	53,766	-	-	24,315	56,581	-	-	16,197
Assets held-for-sale	21,532	-	-	-	21,532	-	-	-
Equity-accounted investees	107,612	-	-	-	107,389	-	-	-
Other assets	871	-	10	208	1,177	-	11	2,532
Liabilities								
Due to financial institutions	16,939	-	-	-	22,888	-	-	-
Due to customers	914	-	-	51,145	-	-	-	50,077
Other liabilities	84	1,059	312	297	149	754	606	221
	Six months ended 30 June 2014 (reviewed)				Six months ended 30 June 2013 (reviewed)			
	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities
Income / (expenses)								
Income from investment securities	4,271	-	-	1,331	3,819	-	-	438
Fees and commission	1,207	-	-	79	1,132	-	-	952
Net finance income / (expense)	(298)	-	-	(756)	(323)	-	-	277
Share of profit of equity-accounted investees	3,376	-	-	-	3,106	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(316)	-	(73)	-	(445)	-	(19)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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17. SEGMENT INFORMATION

	For the six months ended 30 June 2014 (reviewed)				
	Investment Banking & Alkhair Capital Menkul Degerler A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company	Total
External revenue					
Net finance income / (expense)/	(3,656)	299	-	-	(3,357)
Income from investment securities	4,598	230	995	-	5,823
Fees and commission	1,260	309	1,227	-	2,796
Share of profit of equity-accounted investees	3,376	-	-	-	3,376
Rental income	-	-	1,694	-	1,694
Other income	113	31	-	-	144
Inter-segment income	2,899	(2,899)	-	-	-
Total income	8,590	(2,030)	3,916	-	10,476
Total operating expenses	(8,373)	(1,264)	(2,856)	-	(12,493)
Impairment allowance	(3,500)	-	-	-	(3,500)
Income from assets held-for-sale	2,580	-	-	-	2,580
Loss for the period	(703)	(3,294)	1,060	-	(2,937)
Equity-accounted investees	107,612	-	-	-	107,612
Segment assets	457,218	73,872	68,798	(19,256)	580,632
Segment liabilities	297,082	47,429	5,385	(19,256)	330,640

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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17. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2013 (reviewed)					
	Investment Banking & Alkhair Capital Menkul Degerler A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company	Total
External revenue					
Net finance (expense) / income	(1,556)	1,371	-	-	(185)
Income from investment securities	4,421	1,028	-	-	5,449
Fees and commission	1,187	1,685	438	-	3,310
Share of profit of equity-accounted investees	3,106	-	-	-	3,106
Gain on acquisition of assets held-for-sale	14,003	-	-	-	14,003
Other income	390	(9)	-	-	381
Inter-segment income	(1,710)	291	1,419	-	-
Total income	19,841	4,366	1,857	-	26,064
Total operating expenses	(15,525)	(2,535)	(2,580)	-	(20,640)
(Charge) / reversal of impairment	-	(1,200)	-	-	(1,200)
Provision for Zakah	-	-	(720)	-	(720)
Income from assets held-for-sale	180	-	-	-	180
Profit / (loss) for the period	4,496	631	(1,443)	-	3,684
Equity-accounted investees (as at 31 December 2013) (audited)	107,389	-	-	-	107,389
Segment assets (as at 31 December 2013) (audited)	451,611	132,392	68,382	(23,795)	628,590
Segment liabilities (as at 31 December 2013) (audited)	295,006	102,695	6,098	(23,795)	380,004

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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18. FINANCIAL INSTRUMENTS**Fair values**

The Group's financial instruments are accounted for under the historical cost method with the exception of investment securities. By contrast, the fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

Set out below is a comparison of the carrying amounts and fair values of financial instruments:

30 June 2014 (reviewed)

	Carrying amount	Fair value
Financial assets:		
Balances with banks	7,647	7,647
Placements with financial institutions	42,937	42,937
Financing receivables	18,322	18,322
Investment securities	84,947	85,232
Other assets	3,602	3,602
	157,455	157,740
Financial liabilities:		
Placement from financial institutions	35,889	35,889
Due to customers	177,730	177,730
Other liabilities	11,654	11,654
	225,273	225,273

31 December 2013 (audited)

	Carrying amount	Fair value
Financial assets:		
Balances with banks	15,817	15,817
Placements with financial institutions	74,390	74,390
Financing receivables	52,309	52,309
Investment securities	79,186	79,145
Other assets	5,870	5,870
	227,572	227,531
Financial liabilities:		
Placement from financial institutions	51,173	51,173
Due to customers	217,594	217,594
Other liabilities	14,114	14,114
	282,881	282,881

*18. FINANCIAL INSTRUMENTS (continued)***Valuation techniques**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Investment securities

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active or the instrument is not quoted, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses and other valuation models with accepted economic methodologies for pricing financial instruments.

*Sensitivity analysis**Unquoted securities and funds - Investment securities carried at fair value through income statement:*

The effect on profit as a result of a change in the fair value of equity instruments due to a reasonable possible change (i.e. +/-15%) in the value of individual investments, with all other variables held constant, is US\$ 7.6 million. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Financing receivables

The fair values of financing receivables are principally estimated their carrying amount less impairment provisions as these are for short term (i.e. less than 12 months). Hence, the present value of expected future cash flows is not expected to be different from their carrying values.

Other financial instruments

Placements with financial institutions, due to financial institutions and due to customers are for short term tenure hence their carrying value is not different from the fair value. Fair value of other financial assets and liabilities are not significantly different from their carrying values due to their short term nature.

Fair value hierarchy

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

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

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18. *FINANCIAL INSTRUMENTS (continued)*

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 June 2014 (reviewed)

Investment securities

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
9,725	53,766	1,625	65,116
9,725	53,766	1,625	65,116

31 December 2013 (audited)

Investment securities

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
7,088	49,497	8,709	65,294
7,088	49,497	8,709	65,294

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

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
At 1 January	8,709	11,634
Losses in income statement	-	(3,000)
Purchases	-	-
Settlements	-	-
Transfers into / (out) of Level 3	(7,084)	-
At 30 June	1,625	8,634

19. COMPARATIVES

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported loss or equity.