

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

BANK ALKHAIR B.S.C. (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

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KPMG Fakhro
Audit
12th Floor
Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

CR No. 6220
Tel +973 17 224807
Fax +973 17 227443
Internet www.kpmg.com.bh

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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 November 2014

Introduction

We have reviewed the accompanying 30 September 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 September 2014;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2014;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 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

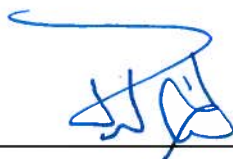
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2014

US\$ 000's

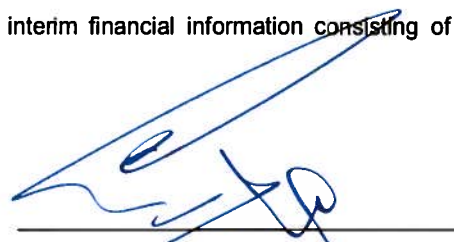
	note	30 September 2014 (reviewed)	31 December 2013 (audited)
ASSETS			
Cash and balances with banks		16,606	15,836
Placements with financial institutions		49,711	74,390
Financing receivables	6	17,805	52,309
Investment securities	7	86,568	79,186
Assets held-for-sale	8	235,906	216,764
Equity-accounted investees	9	109,421	107,389
Investment property	10	72,749	73,719
Other assets	11	5,377	7,410
Equipment		1,501	1,587
TOTAL ASSETS		595,644	628,590
LIABILITIES AND EQUITY			
LIABILITIES			
Placement from financial institutions		34,697	51,173
Due to customers		198,753	217,594
Liabilities related to assets held-for-sale	8	94,791	92,427
Other liabilities	12	16,835	18,810
TOTAL LIABILITIES		345,076	380,004
EQUITY			
Share capital		207,962	207,862
Statutory reserve		664	664
Fair value reserve		170	114
Foreign currency translation reserve		(10,358)	(9,499)
Accumulated losses		(34,886)	(29,768)
Equity attributable to the shareholders of the Parent		163,552	169,373
Non-controlling interests		30,137	28,456
Non-controlling interests related to assets held-for-sale	8	56,879	50,757
TOTAL EQUITY (page 4)		250,568	248,586
TOTAL LIABILITIES AND EQUITY		595,644	628,590

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



Yousef Abdullah Al-Shelash

Chairman



Hethloul Saleh Al-Hethloul

Board Member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2014

US\$ 000's

	note	Nine months ended		Three months ended	
		30 September 2014 (reviewed)	30 September 2013 (reviewed)	30 September 2014 (reviewed)	30 September 2013 (reviewed)
Continuing operations					
Finance income		1,927	5,457	545	1,834
Finance expense		(7,063)	(5,991)	(2,324)	(2,183)
Net finance expense		(5,136)	(534)	(1,779)	(349)
Income from investment securities	13	8,195	5,914	2,372	465
Fees and commission	14	4,068	4,598	1,272	1,288
Share of profit of equity-accounted investees	9	5,350	4,890	1,974	1,784
Gain on acquisition of assets held-for-sale		-	14,003	-	-
Rental income		2,541	-	847	-
Other income		422	585	278	204
Total income		15,440	29,456	4,964	3,392
Staff cost		9,758	11,749	2,944	3,540
Legal and professional expenses		1,933	8,703	249	789
Premises cost		1,092	1,897	444	496
Business development expenses		360	495	97	269
Depreciation and amortisation		1,536	1,003	512	264
Other operating expenses		3,079	3,164	1,019	1,013
Total expenses		17,758	27,011	5,265	6,371
(Loss) / profit for the period before Zakah and impairment		(2,318)	2,445	(301)	(2,979)
Provision for Zakah		-	(1,080)	-	(360)
Impairment allowance	9	(3,500)	(1,200)	-	-
(Loss) / profit for the period from continuing operations		(5,818)	165	(301)	(3,339)
Income from assets held-for-sale and discontinued operations		3,842	451	1,262	271
(Loss) / profit for the period		(1,976)	616	961	(3,068)
Attributable to:					
Shareholders of the Parent		(5,118)	1,388	(403)	(2,908)
Non-controlling interests		1,139	(1,000)	671	(299)
Non-controlling interests relating to assets held-for-sale		2,003	228	693	139
		(1,976)	616	961	(3,068)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 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 September 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	-	-	-	-	(5,118)	(5,118)	1,139	2,003	(1,976)
Foreign currency translation differences	-	-	-	(833)	-	(833)	62	-	(771)
Share of changes in reserves of equity-accounted investees	-	-	56	(26)	-	30	-	-	30
Total recognised income and expense for the period	-	-	56	(859)	(5,118)	(5,921)	1,201	2,003	(2,717)
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	-	-	-	-	-	-	480	-	480
As at 30 September 2014	207,962	664	170	(10,358)	(34,886)	163,552	30,137	56,879	250,568

* Translation reserve amounting to US\$ 6,306 thousand (30 September 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 nine months ended 30 September 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 September 2013 (reviewed)	207,862	337	114	(8,485)	(32,715)	167,113	28,767	-	195,880
As at 1 January 2013	-	-	-	-	1,388	1,388	(1,000)	228	616
Profit for the period (page 3)	-	-	-	(553)	-	(553)	(48)	-	(601)
Foreign currency translation differences	-	-	-	(220)	-	(220)	-	-	(220)
Share of changes in reserves of equity-accounted investees	-	-	-	(773)	1,388	615	(1,048)	228	(205)
Total recognised income and expense for the period	-	-	-	-	-	-	-	-	-
Non-controlling interests related to assets held-for-sale	-	-	-	-	-	-	-	48,594	48,594
As at 30 September 2013	207,862	337	114	(9,258)	(31,327)	167,728	27,719	48,822	244,269

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2014

US\$ 000's

	30 September 2014 (reviewed)	30 September 2013 (reviewed)
OPERATING ACTIVITIES		
(Loss) / profit for the period	(1,976)	616
Adjustments for:		
Provision for Zakah	-	1,080
Loss / (gain) on sale of investment securities	(955)	(401)
Fair value changes in investment securities	(6,641)	(4,696)
Share of profit of equity-accounted investees	(5,350)	(4,890)
Other income	-	(324)
Depreciation and amortisation	1,536	1,003
Sukuk amortisation	(92)	(287)
Gain on acquisition of assets held-for-sale	-	(14,003)
Income from assets held-for-sale and discontinued operations	(3,842)	(451)
Impairment allowance	3,500	1,200
	(13,820)	(21,153)
Changes in:		
Financing receivables	33,795	(3,401)
Other assets	1,855	9,575
Placement from financial institutions	(16,474)	(59,511)
Due to customers	(18,843)	106,426
Other liabilities	(1,875)	(4,580)
Net cash (used in) / generated from operating activities	(15,362)	27,356
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(302)	108
Proceeds from sale of investment securities	9,077	17,007
Purchase of investment securities	(15,953)	(5,186)
Payments for purchase of equity-accounted investees	-	(2,600)
Dividends received	-	2,168
Net cash (used in) / generated from investing activities	(7,178)	11,497
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	(22,540)	23,743
Effect of exchange rate changes on cash and cash equivalents	(1,369)	(775)
Cash and cash equivalents at the beginning of the period	90,226	71,718
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	66,317	94,686
Cash and cash equivalents comprise:		
Cash and balances with banks	16,606	29,150
Placements with financial institutions	49,711	65,536
	66,317	94,686

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2014 US\$ 000's

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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 nine months ended 30 September 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 September 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 September 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 nine months ended 30 September 2013.
4. **Seasonality**
Due to nature of the Bank's business, the nine 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 nine months ended 30 September 2014

US\$ 000's

6. FINANCING RECEIVABLES

	30 September 2014 (reviewed)	31 December 2013 (audited)
Gross murabaha receivables	21,302	56,224
Less: Deferred profits	(223)	(641)
Net murabaha receivables	21,079	55,583
Less: Specific impairment allowances	(2,974)	(2,974)
Less: Collective impairment allowances	(300)	(300)
	17,805	52,309

7. INVESTMENT SECURITIES

	30 September 2014 (reviewed)	31 December 2013 (audited)
Equity type instruments		
<i>At fair value through income statement:</i>		
- Quoted equity securities	1,207	51
- Unquoted equity securities	27,757	29,846
- Quoted funds	9,724	7,037
- Unquoted funds	28,005	28,360
Total equity type instruments	66,693	65,294
Debt type instruments		
<i>At amortised cost :</i>		
- Sukuk	19,875	13,892
	86,568	79,186

8. ASSETS AND LIABILITIES HELD-FOR-SALE

	30 September 2014 (reviewed)	31 December 2013 (audited)
Subsidiaries held-for-sale		
- Assets	214,374	195,232
- Liabilities	(94,791)	(92,427)
Net assets	119,583	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 nine months ended 30 September 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 Tajamouat 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\$ 3,842 thousand (30 September 2013: US\$ 1,262 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 September 2014 (reviewed)	31 December 2013 (audited)
BFC Group Holdings Ltd.	99,612	94,337
t'azur Company B.S.C. (c)	9,809	13,052
	109,421	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	5,350	5,752
Impairment allowance	(3,500)	-
Share of reserves of equity-accounted investees	182	(33)
Transferred to assets held-for-sale	-	(2,600)
Dividends received	-	(4,336)
Balance at the end of the period	109,421	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 September 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 nine months ended 30 September 2014

US\$ '000's

10. INVESTMENT PROPERTY**30 September 2014 (reviewed)**

	Carrying value	Fair value
Land – Kingdom of Bahrain	17,706	19,788
Land and building – Kingdom of Saudi Arabia	55,043	56,013
	72,749	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 September 2014 (reviewed)	31 December 2013 (audited)
Deal related advances	-	2,265
Fees and expenses recoverable	3,226	2,511
Rental income receivable	1,558	-
Prepayments and advances	390	1,240
Intangible assets	142	300
Others	1,963	2,996
	7,279	9,312
Less: Provision for impairment	(1,902)	(1,902)
	5,377	7,410

12. OTHER LIABILITIES

	30 September 2014 (reviewed)	31 December 2013 (audited)
Provision for legal and professional expenses	820	820
Accruals and other provisions	2,238	1,765
Restructuring provision	419	419
Deal-related payables	4,725	4,740
Staff-related payables	2,438	2,512
Trade and other payables	6,195	8,554
	16,835	18,810

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

US\$ 000's

13. INCOME FROM INVESTMENT SECURITIES

	30 September 2014 (reviewed)	30 September 2013 (reviewed)
Dividend income	2	-
Fair value gain on investment securities	6,641	4,696
Gain / (loss) on sale of investment securities	846	(45)
Sukuk income		
- Sukuk profit	597	817
- Gain on sale of sukuk	109	446
	8,195	5,914

14. FEES AND COMMISSION

	30 September 2014 (reviewed)	30 September 2013 (reviewed)
Advisory fees	405	339
Placement, arrangement and underwriting fees	328	1,984
Management fees	2,673	2,066
Brokerage fees	662	209
	4,068	4,598

15. COMMITMENTS AND CONTINGENCIES

	30 September 2014 (reviewed)	31 December 2013 (reviewed)
Lease commitments	191	1,206
Guarantees	5,311	5,311
Financing	-	500
	5,502	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 nine months ended 30 September 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 September 2014 (reviewed)	30 September 2013 (reviewed)
Short term employee benefits	1,415	2,103
Post-employment benefits	332	569
	1,747	2,672

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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 September 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	-	-	-	8,908	7,281	-	-	7,097
Investment securities	54,142	-	-	24,028	56,581	-	-	16,197
Assets held-for-sale	21,532	-	-	-	21,532	-	-	-
Equity-accounted investees	109,421	-	-	-	107,389	-	-	-
Other assets	1,047	-	10	223	1,177	-	11	2,532
Liabilities								
Due to financial institutions	15,676	-	-	-	22,888	-	-	-
Due to customers	914	-	-	51,688	-	-	-	50,077
Other liabilities	-	1,208	332	335	149	606	754	221

	Nine months ended 30 September 2014 (reviewed)			Nine months ended 30 September 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	4,646	-	-	2,522	4,049	-	-	1,137
Fees and commission	1,825	-	-	115	1,132	-	-	952
Net finance income / (expense)	(437)	-	-	(1,133)	(522)	-	-	792
Share of profit of equity-accounted investees	5,350	-	-	-	4,890	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(467)	-	(99)	-	(656)	-	(25)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

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17. SEGMENT INFORMATION

	For the nine months ended 30 September 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 (expense) / income	(5,518)	382	-	-	(5,136)
Income from investment securities	5,120	361	2,714	-	8,195
Fees and commission	1,955	328	1,785	-	4,068
Share of profit of equity-accounted investees	5,350	-	-	-	5,350
Rental income	-	-	2,541	-	2,541
Other income	393	29	-	-	422
Inter-segment income	2,842	(2,842)	-	-	-
Total income	10,142	(1,742)	7,040	-	15,440
Total operating expenses	(11,615)	(1,653)	(4,490)	-	(17,758)
Impairment allowance	(3,500)	-	-	-	(3,500)
Income from assets held-for-sale	3,842	-	-	-	3,842
Loss for the period	(1,131)	(3,395)	2,550	-	(1,976)
Equity-accounted investees	109,421	-	-	-	109,421
Segment assets	470,517	72,522	70,340	(17,735)	595,644
Segment liabilities	311,162	46,220	5,429	(17,735)	345,076

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

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17. SEGMENT INFORMATION (continued)

	For the nine months ended 30 September 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	(2,720)	2,186	-	-	(534)
Income from investment securities	4,651	1,263	-	-	5,914
Fees and commission	1,796	1,985	817	-	4,598
Share of profit of equity-accounted investees	4,890	-	-	-	4,890
Gain on acquisition of assets held-for-sale	14,003	-	-	-	14,003
Other income	601	(15)	(1)	-	585
Inter-segment income	(2,551)	443	2,108	-	-
Total income	20,670	5,862	2,924	-	29,456
Total operating expenses	(19,843)	(3,315)	(3,853)	-	(27,011)
(Charge) / reversal of impairment	-	(1,200)	-	-	(1,200)
Provision for Zakah	-	-	(1,080)	-	(1,080)
Income from assets held-for-sale	451	-	-	-	451
Profit / (loss) for the period	1,278	1,347	(2,009)	-	616
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
for the nine months ended 30 September 2014

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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 September 2014 (reviewed)

	Carrying amount	Fair value
Financial assets:		
Balances with banks	16,587	16,587
Placements with financial institutions	49,711	49,711
Financing receivables	17,805	17,805
Investment securities	86,568	86,778
Other assets	4,845	4,845
	175,516	175,726
Financial liabilities:		
Placement from financial institutions	34,697	34,697
Due to customers	198,753	198,753
Other liabilities	11,740	11,740
	245,190	245,190

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014**

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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\$ 8.4 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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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 September 2014 (reviewed)

Investment securities

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
10,931	54,142	1,620	66,693
10,931	54,142	1,620	66,693

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 September 2014 (reviewed)	30 September 2013 (reviewed)
At 1 January	8,709	11,634
Losses in income statement	(5)	(3,000)
Purchases	-	-
Settlements	-	-
Transfers into / (out) of Level 3	(7,084)	-
At 30 September	1,620	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 profit or equity.