BANK ALKHAIR B.S.C. (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 MARCH 2015

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	4th Floor Building No. 2304, Road 2830, Seef District 428 PO Box 31700, Manama, Kingdom of Bahrain
Directors	:	Yousef Abdullah AlShelash, *Chairman* 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 Hamad Abdulrazaq Al-Turkait
Group Chief Executive Officer	:	Ayman Sejiny
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2015

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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

14 May 2015

Introduction

We have reviewed the accompanying 31 March 2015 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 31 March 2015;
- the condensed consolidated income statement for the three-month period ended 31 March 2015;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2015;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2015; 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 31 March 2015 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.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2015 US$ 000's

	note	31 March 2015 (reviewed)	31 December 2014 (audited)
ASSETS			
Cash and balances with banks		5,729	22,510
Placements with financial institutions		32,002	42,250
Financing receivables	6	62,869	9,151
Investment securities	7	79,857	85,323
Assets held-for-sale	8	15,326	15,082
Equity-accounted investees	9	122,021	121,974
Investment property	10	252,989	254,109
Other assets	11	26,140	12,986
Equipment		1,760	1,598
TOTAL ASSETS		**598,693**	564,983
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial institutions	12	114,248	106,987
Due to customers		218,709	197,552
Liabilities related to assets held-for-sale	8	1,584	1,374
Other liabilities	13	40,615	31,625
TOTAL LIABILITIES		**375,156**	337,538
EQUITY			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		(538)	(185)
Foreign currency translation reserve		(14,317)	(13,333)
Accumulated losses		(56,605)	(53,452)
Equity attributable to the shareholders of the Parent		**137,166**	141,656
Non-controlling interests		81,558	80,975
Non-controlling interests related to assets held-for-sale	8	4,813	4,814
TOTAL EQUITY (page 4)		**223,537**	227,445
TOTAL LIABILITIES AND EQUITY		**598,693**	564,983

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 20 on 14 May 2015.

Yousef Abdullah Al-Shelash

Chairman

Hethloul Saleh Al-Hethloul

Board Member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2015 US$ 000's

	note	Three months ended 31 March 2015 (reviewed)	31 March 2014 (reviewed) (restated – note 8)
Continuing operations			
Finance income		711	823
Income from investment securities	14	1,117	1,339
Fees and commission income	15	1,286	1,090
Share of profit of equity-accounted investees, net	9	1,115	1,106
Income from real estate operations	16	5,795	5,701
Rental income		829	829
Other (loss) / income		(92)	71
Total income		**10,761**	10,959
Staff cost		3,384	3,329
Finance expense		2,432	2,485
Legal and professional expenses		679	829
Premises cost		355	357
Business development expenses		54	140
Expense of real estate operations	16	4,056	4,343
Depreciation		1,211	855
Other operating expenses		1,108	1,378
Total expenses		**13,279**	13,716
Loss for the period before Zakah		**(2,518)**	(2,757)
Provision for Zakah		**-**	(35)
Loss for the period from continuing operations		**(2,518)**	(2,792)
Loss from assets held-for-sale and discontinued operations	8	(2)	-
Loss for the period		**(2,520)**	(2,792)
Attributable to:			
Shareholders of the Bank		(3,153)	(3,629)
Non-controlling interests		634	837
Non-controlling interests relating to assets held-for-sale		(1)	-
		(2,520)	(2,792)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2015 US$ 000's

31 March 2015 (reviewed)	Attributable to the shareholders of the Bank								
	Share capital	**Statutory reserve**	**Investments fair value reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Non-controlling interests related to assets held-for-sale**	**Total equity**
As at 1 January 2015	207,962	664	(185)	(13,333)	(53,452)	141,656	80,975	4,814	227,445
Loss for the period (page 3)	-	-	-	-	(3,153)	(3,153)	634	(1)	(2,520)
Foreign currency translation differences	-	-	-	(222)	-	(222)	(51)	-	(273)
Share of changes in reserves of equity-accounted investees	-	-	(353)	(762)	-	(1,115)	-	-	(1,115)
Total recognised income and expense for the period	**-**	**-**	**(353)**	**(984)**	**(3,153)**	**(4,490)**	**583**	**(1)**	**(3,908)**
As at 31 March 2015	**207,962**	**664**	**(538)**	**(14,317)**	**(56,605)**	**137,166**	**81,558**	**4,813**	**223,537**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2015 *(continued)* US$ 000's

31 March 2014 (reviewed) (restated)	Attributable to the shareholders of the Bank								
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Non-controlling interests related to assets held-for-sale	Total equity
As at 1 January 2014	207,862	664	117	(12,784)	(34,516)	161,343	78,461	-	239,804
Loss for the period (page 3)	-	-	-	-	(3,629)	(3,629)	837	-	(2,792)
Foreign currency translation differences	-	-	-	1	-	1	4	-	5
Share of changes in reserves of equity-accounted investees	-	-	116	1,569	-	1,685	-	-	1,685
Total recognised income and expense for the period	-	-	116	1,570	(3,629)	(1,943)	841	-	(1,102)
As at 31 March 2014	207,862	664	233	(11,214)	(38,145)	159,400	79,302	-	238,702

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2015

US$ 000's

	31 March 2015 (reviewed)	31 March 2014 (reviewed) (restated)
OPERATING ACTIVITIES		
Loss for the period	(2,520)	(2,792)
Adjustments for:		
Provision for Zakah	-	35
Gain on sale of investment securities	(1,059)	1
Fair value changes in investment securities	184	(1,188)
Share of profit of equity-accounted investees	(1,115)	(1,106)
Income from assets held-for-sale and discontinued operations	2	-
Depreciation and amortisation	1,211	855
Sukuk amortisation	(75)	(75)
	(3,372)	(4,270)
Changes in:		
Financing receivables	(53,718)	22,221
Other assets	(14,143)	(11,819)
Due to financial institutions	32,872	(17,355)
Due to customers	1,114	(27,753)
Other liabilities	8,990	11,081
Net cash used in operating activities	**(28,257)**	(27,895)
INVESTING ACTIVITIES		
Purchase of equipment, net	(289)	(190)
Proceeds from sale of investment securities	18,610	345
Purchase of investment securities	(11,478)	(513)
(Disposal)/ purchase of investment property	144	(149)
Net cash generated from / (used in) investing activities	**6,987**	(507)
FINANCING ACTIVITIES		
Repayment of bank financing	(5,567)	(2,698)
Net cash used in financing activities	**(5,567)**	(2,698)
Net decrease in cash and cash equivalents during the period	**(26,837)**	(31,100)
Effect of exchange rate changes on cash and cash equivalents	(192)	(40)
Cash and cash equivalents at the beginning of the period	64,760	91,672
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**37,731**	60,532
Cash and cash equivalents comprise:		
Cash and balances with banks	5,729	14,521
Placements with financial institutions	32,002	46,011
	37,731	60,532

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

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.

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 2014. 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 2014.

Going concern

As at 31 March 2015, the current contractual liabilities of the Group exceeded its liquid assets. As a result, the ability of the Group to meet its obligations when due depends on its ability to roll over short term liabilities and timely disposal of assets. Further, the capital adequacy ratio as at 31 March 2015 was below the minimum regulatory capital requirements. These factors indicate the existence of material uncertainties which may cast doubt about the Group's ability to continue as a going concern.

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for foreseeable future based on its ability to roll over short term liabilities, current discussions with certain creditors, assets sale plan and support from major shareholders that would generate the required liquidity to meet its obligation when due. These actions are also expected to improve the Bank's capital adequacy ratio. The Board of Directors have reviewed the Bank's future plans and are satisfied with the appropriateness of the going concern assumption for preparation of the condensed consolidated interim financial information.

2. *BASIS OF PREPARATION (continued)*

Accounting polices
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 2014 except for changes arising from new standards and amendments issued and effective from 1 January 2015 as given below:

Amendments to Financial Accounting Standard (FAS) No. 23 – Consolidation
During the period the Accounting and Auditing Standards for Islamic Financial Institutions (AAOIFI) issued amendments to FAS 23 which are effective from 1 January 2015. These amendments provide clarification and expands the scenarios for assessing control when an entity holds less than majority voting rights in an investee. In particular, the concept of de-facto control has been introduced. The amendment clarifies that where the IFI has less than majority voting rights in an investee, control may also exist through:

a) agreement with the entity's other shareholders or the entity itself;
b) rights arising from other contractual arrangements;
c) the IFI's voting rights (de facto power);
d) potential voting rights; or
e) a combination thereof.

Further, FAS 23 does not provide specific guidance for assessment of control over special purpose vehicles (SPVs) and the Bank was previously referring to the relevant guidance within International Financial Reporting Standards (IFRSs). As a result of revisions to IFRS 10 (consolidation), the Group has now also changed its accounting policy for determining whether it has control over SPVs. The new control model focuses on whether the Group has power over an SPV, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In particular, expanded guidance has been provided to assess whether the Group's decision making rights over an investee would be considered as those of a principal (primarily for its own benefit) and when it would be considered to be that of an agent (primarily for benefit of its investors).

In accordance with the transitional provisions of the amendments to FAS 23, the Group reassessed its control conclusions as of 1 January 2015. The Group has reassessed its investments considering the new control definition criteria and based on the assessment, management had concluded that the Group do not have power over relevant activities of the investee and do not have significant variability from its involvement with the investee.

There were no changes to the entities that were controlled and consolidated by the Group as of 31 December 2014. Accordingly, adoption of the new amendments did not have a significant impact on the condensed consolidated interim financial information or the amounts reported in the comparative periods.

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 2014.

for the three months ended 31 March 2015 US$ 000's

2. *BASIS OF PREPARATION (continued)*

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 2014.

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 2014 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 three months ended 31 March 2014 effected for the restatement given below.

Restatement
In 2014, the Group had classified its investment in a subsidiary, Al Tajamoaut for Touristic Projects Plc, and investment in an equity-accounted investee, Burj Bank Limited, as assets held-for-sale. As at 31 December 2014, because the investments no longer meet the criteria to be classified as held-for-sale, these were re-classified as held-for-use.

In accordance with IFRS 5-*Non-current assets held-for-sale and discontinued operations*, upon reclassification as held-for-use, the subsidiary was consolidated on a line by line basis including earlier periods resulting in restatement of the prior year as if the subsidiary had always been consolidated. The reclassification to held-for-use resulted in reduction in profits for the three months ended 31 March 2014 by US$ 653 thousands.

With regard to investment the equity-accounted investee, Burj Bank Limited, the equity method was applied retrospectively from the date of its classification as held-for-sale. The reclassification of the investment in Burj Bank Limited as held-for-use resulted in recognition in the condensed consolidated income statement of the Group's share of loss of US$ 549 thousands for the three months ended 31 March 2014 and share of profit of US$ 5,787 thousands for previous periods being recognised in accumulated losses as at 1 January 2014.

4. Seasonality
Due to nature of the Bank's business, the three 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 after the year end and approval by the shareholders in the annual general meeting.

6. FINANCING RECEIVABLES

	31 March 2015 (reviewed)	31 December 2014 (audited)
Gross murabaha receivables	69,818	15,579
Less: Deferred profits	(475)	(154)
Net murabaha receivables	**69,343**	15,425
Less: Specific impairment allowances	(6,174)	(5,974)
Less: Collective impairment allowances	(300)	(300)
	62,869	9,151

for the three months ended 31 March 2015 US$ 000's

7. INVESTMENT SECURITIES

	31 March 2015 (reviewed)	31 December 2014 (audited)
Equity type instruments		
At fair value through income statement:		
- Quoted equity securities	9,247	1,028
- Unquoted equity securities	30,248	30,255
- Quoted funds	1,285	9,032
- Unquoted funds	24,689	24,816
Total equity type instruments	**65,469**	65,131
Debt type instruments		
At amortised cost :		
- Sukuk	14,388	20,192
	79,857	85,323

8. ASSETS AND LIABILITIES HELD-FOR-SALE

	31 March 2015 (reviewed)	31 December 2014 (audited)
Subsidiary held-for-sale		
- Assets	15,326	15,082
- Liabilities	(1,584)	(1,374)
Net assets	**13,742**	13,708

Assets and liabilities held-for-sale represents Tintoria International Limited (TI), a subsidiary in which the Group holds 52.06% stake. The Group acquired control over TI in May 2014 and had provisionally recognised identifiable assets and liability which also represent management's estimated fair value less cost to sell the investment.

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 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 consolidated statement of financial position.

The net result of operations of the subsidiary during the period was loss of US$ 2 thousand (31 March 2014: US$ Nil) which is presented separately as "loss from assets held-for-sale and discontinued operations" in condensed consolidated income statement.

9. EQUITY-ACCOUNTED INVESTEES

	31 March 2015 (reviewed)	31 December 2014 (audited)
BFC Group Holdings Ltd.	100,247	99,191
Burj Bank Limited	12,318	13,176
t'azur Company B.S.C. (c)	9,456	9,607
	122,021	121,974

for the three months ended 31 March 2015 US$ 000's

9. EQUITY-ACCOUNTED INVESTEES (continued)

The movement on equity-accounted investees is as follows:

	2015 (reviewed)	2014 (audited) (restated)
At 1 January	121,974	121,662
Net share of profits of equity-accounted investees, net	1,115	5,769
Share of reserves of equity-accounted investees, net	(1,068)	211
Impairment allowance	-	(3,500)
Dividends received	-	(2,168)
At 31 March / 31 December	**122,021**	121,974

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$ 33.4 million (31 December 2014: US$ 33.5 million). The Group's share of the commitment is US$ 8.6 million (31 December 2014: US$ 8.7 million).

10. INVESTMENT PROPERTY

31 March 2015 (reviewed)	**Carrying value**	Fair value
Land – Kingdom of Bahrain	17,706	19,788
Land and building – Kingdom of Saudi Arabia	54,396	56,013
Land and building – Jordan	180,887	184,136
	252,989	259,937

31 December 2014 (audited)	Carrying Value	Fair value
Land – Kingdom of Bahrain	17,706	19,788
Land and building – Kingdom of Saudi Arabia	54,719	56,013
Land and building – Jordan	181,684	184,136
	254,109	259,937

11. OTHER ASSETS

	31 March 2015 (reviewed)	31 December 2014 (audited)
Fees and expenses recoverable	2,236	1,978
Rental income receivable	5,711	2,745
Prepayments and advances	11,668	4,953
Intangible assets	27	93
Others	8,400	5,119
	28,042	14,888
Less: Provision for impairment	(1,902)	(1,902)
	26,140	12,986

for the three months ended 31 March 2015 US$ 000's

12. DUE TO FINANCIAL INSTITUTIONS

	31 March 2015 (reviewed)	31 December 2014 (audited)
Placements from financial institutions	47,441	34,613
Bank financing	66,807	72,374
	114,248	106,987

13. OTHER LIABILITIES

	31 March 2015 (reviewed)	31 December 2014 (audited)
Provision for legal and professional expenses	820	820
Accruals and other provisions	5,786	6,330
Restructuring provision	419	419
Deal-related payables	4,725	4,725
Unearned rental income	14,214	5,266
Staff-related payables	2,671	2,566
Trade and other payables	11,980	11,499
	40,615	31,625

14. INCOME FROM INVESTMENT SECURITIES

	31 March 2015 (reviewed)	31 March 2014 (reviewed) (restated)
Dividend income	-	2
Fair value (loss) / gain on investment securities, net	(184)	1,188
Gain/(loss) on sale of investment securities	817	(2)
Sukuk income		
- Sukuk profit	242	150
- Gain on sale of sukuk	242	1
	1,117	1,339

15. FEES AND COMMISSION

	31 March 2015 (reviewed)	31 March 2014 (restated)
Advisory, placement and arrangement fees	152	134
Management fees	901	867
Brokerage fees	233	89
	1,286	1,090

for the three months ended 31 March 2015 US$ 000's

16. NET INCOME FROM REAL ESTATE OPERATIONS

	31 March 2015 (reviewed)	31 March 2014 (reviewed) (restated)
Revenue from Al-Tajamouat for Touristic Projects Co Plc	5,795	5,701
Expenses from Al-Tajamouat for Touristic Projects Co Plc	(4,709)	(4,996)
	1,086	705

17. COMMITMENTS AND CONTINGENCIES

	31 March 2015 (reviewed)	31 December 2014 (audited)
Commitment to invest	11,000	11,000
Lease commitments	64	127
Guarantees	5,311	5,311
	16,375	16,438

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. During the period, based on interim instruction from the court, the Group paid an amount of US$ 8.1 million as security to the court which is refundable based on the final outcome of the case and included under "prepayment and advances".

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.

18. 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.

for the three months ended 31 March 2015 US$ 000's

18. RELATED PARTY TRANSACTIONS (continued)

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:

	31 March 2015 (reviewed)	31 March 2014 (reviewed)
Short term employee benefits	353	375
Post-employment benefits	244	644
	597	1019

for the three months ended 31 March 2015 US$ 000's

18. RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2015 (reviewed)				31 December 2014 (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	-	-	-	8,410	-	-	-	1,835
Investment securities	49,326	-	-	27,665	49,453	-	-	27,683
Equity-accounted investees	122,021	-	-	-	121,974	-	-	-
Other assets	1,141	-	9	284	1,048	-	9	266
Liabilities								
Due to financial institutions	15,337	-	-	-	15,580	-	-	-
Due to customers	915	-	-	42,422	914	-	-	52,231
Other liabilities	64	1,319	244	1,256	64	1,233	941	374

	Three months ended 31 March 2015 (reviewed)				Three months ended 31 March 2014 (reviewed) (restated)			
	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	(127)	-	-	783	(130)	-	-	810
Fees and commission	566	-	-	82	609	-	-	39
Net finance (expense) / income	(134)	-	-	(375)	(147)	-	-	(379)
Share of profit of equity-accounted investees	1,115	-	-	-	1,106	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(106)	-	(13)	-	(158)	-	(35)

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

	For the three months ended 31 March 2015 (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	(1,971)	250	-	-	(1,721)
Income from investment securities	209	220	688	-	1,117
Fees and commission	641	82	563	-	1,286
Share of profit of equity-accounted investees	1,115	-	-	-	1,115
Income from real estate operations	5,795	-	-	-	5,795
Rental Income	-	-	829	-	829
Other income	(89)	(3)	-	-	(92)
Inter-segment income	(82)	82	-	-	-
Total income	**5,618**	**631**	**2,080**	**-**	**8,329**
Total operating expenses	(8,286)	(743)	(1,818)	-	(10,847)
Income from assets held-for-sale	(2)	-	-	-	(2)
(Loss) / profit for the period	**(2,670)**	**(112)**	**262**	-	**(2,520)**
Equity-accounted investees	120,209	-	-	-	120,209
Segment assets	434,047	115,623	69,725	(20,702)	598,693
Segment liabilities	299,387	89,521	6,950	(20,702)	375,156

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19. SEGMENT INFORMATION (continued)

	For the three months ended 31 March 2014 (reviewed) (restated)				
	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	(1,811)	149	-	-	(1,662)
Income from investment securities	(27)	42	1,324	-	1,339
Fees and commission	634	285	171	-	1,090
Share of profit of equity-accounted investees	1,106	-	-	-	1,106
Income from real estate operations	5,701	-	-	-	5,701
Rental income	-	-	829	-	829
Other income	48	23	-	-	71
Inter-segment income	(90)	90	-	-	-
Total income	5,561	589	2,324	-	8,474
Total operating expenses	(9,354)	(658)	(1,219)	-	(11,231)
Provision for Zakah	-	-	(35)	-	(35)
(Loss) / profit for the period	(3,793)	(69)	1,070	-	(2,792)
Equity-accounted investees as at 31 December 2014 (audited)	121,974	-	-	-	121,974
Segment assets (as at 31 December 2014) (audited)	450,442	66,857	68,419	(20,735)	564,983
Segment liabilities (as at 31 December 2014) (audited)	311,723	40,644	5,906	(20,735)	337,538

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20. 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:

31 March 2015 (reviewed)	Carrying amount	Fair value
Financial assets:		
Balances with banks	5,720	5,720
Placements with financial institutions	32,002	32,002
Financing receivables	62,869	62,869
Investment securities	79,857	79,872
Other financial assets	14,445	14,445
	194,893	**194,908**
Financial liabilities:		
Due to financial institutions	114,248	114,248
Due to customers	218,709	218,709
Other financial liabilities	31,739	31,739
	364,696	**,364,696**

31 December 2014 (audited)	Carrying amount	Fair value
Financial assets:		
Balances with banks	22,493	22,493
Placements with financial institutions	42,250	42,250
Financing receivables	9,151	9,151
Investment securities	85,323	85,305
Other financial assets	7,940	7,940
	167,157	167,139
Financial liabilities:		
Due to financial institutions	106,987	106,987
Due to customers	197,552	197,552
Other financial liabilities	22,310	22,310
	326,849	326,849

20. 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 - 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$ 8.2 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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20. FINANCIAL INSTRUMENTS (continued)

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

31 March 2015 (reviewed)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities				
Equity type instruments carried at fair value through income statement	10,532	49,326	5,611	65,469
	10,532	**49,326**	**5,611**	**65,469**

31 December 2014 (audited)	Level 1	Level 2	Level 3	Total
Investment securities				
Equity type instruments carried at fair value through income statement	10,060	49,453	5,618	65,131
	10,060	49,453	5,618	65,131

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

	At 1 January 2015	**Total gains recorded in consolidated income statement**	**Total gains recorded in equity**	**Additions**	**Sales/ transfers**	**At 31March 2015**
Investments carried at fair value through income statement	5,618	(7)	-	-	-	5,611
	5,618	**(7)**	**-**	**-**	**-**	**5,611**
	At 1 January 2014	Total losses recorded in consolidated income statement	Total gains recorded in equity	Additions	Sales/ transfers	At 31 March 2014
Investments carried at fair value through income statement	8,709	(1)	-	-	-	8,708
	8,709	(1)	-	-	-	8,708

21. 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 except to the extent given in note 3.