

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

**30 June 2016**

Commercial registration:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office:	26 <sup>th</sup> Floor, West Tower, Bahrain Financial Harbour Building No. 1459, Road 4626, Manama, Sea Front 346 PO Box 31700, Manama, Kingdom of Bahrain
Directors:	Yousef Abdulla Al-Shelash, <i>Chairman</i> Majed Abdulrahman Al Qasem, <i>Deputy Chairman</i> Abdulrazaq Mohamed Al Wohaib Abdulaziz Naif Al Orayer Abdullatif Abdullah Al-Shalash Ahmed Saleh Dehailan Khaled Shaheen Saqer Shaheen Abdullah Ali Al Dubaikhi Meshari Al Mulla
Group Chief Executive Officer:	Ayman Sejiny
Auditors:	KPMG Fakhro

**BANK ALKHAIR B.S.C ( C )**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

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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)  
Manama  
Kingdom of Bahrain

18 August 2016

### Introduction

We have reviewed the accompanying 30 June 2016 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 2016;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2016;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2016;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2016; 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 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

### Emphasis of matter

Without qualifying our conclusion, we draw attention to note 2 to the condensed consolidated interim financial information which discusses certain matters relating to the Group's accumulated losses, liquidity position and regulatory capital adequacy ratio, implications of these matters for the basis of preparation of the condensed consolidated interim financial information and management's action plans to deal with these matters.

**BANK ALKHAIR B.S.C ( C )**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2016**


US\$ 000's

	note	30 June 2016 (reviewed)	31 December 2015 (audited)
<b>ASSETS</b>			
Cash and balances with banks		8,053	17,021
Placements with financial institutions		19,402	9,648
Financing receivables	6	32,584	66,713
Investment securities	7	72,378	64,930
Equity-accounted investees	8	139,927	139,658
Investment property	9	224,402	241,466
Other assets	10	53,131	32,313
Equipment		12,858	13,274
<b>TOTAL ASSETS</b>		<b>562,735</b>	<b>585,023</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to financial institutions		107,697	123,252
Due to customers		182,856	208,250
Other liabilities	11	60,288	28,727
<b>TOTAL LIABILITIES</b>		<b>350,841</b>	<b>360,229</b>
<b>EQUITY</b>			
Share capital		207,962	207,962
Statutory reserve		664	664
Investments fair value reserve		(9)	(249)
Foreign currency translation reserve		(15,186)	(15,290)
Accumulated losses		(73,868)	(58,478)
<b>Equity attributable to the shareholders of the Bank</b>		<b>119,563</b>	<b>134,609</b>
Non-controlling interests		92,331	90,185
<b>TOTAL EQUITY (page 4)</b>		<b>211,894</b>	<b>224,794</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>562,735</b>	<b>585,023</b>

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 16 on 18 August 2016.



Yusef Abdullah Al-Shelash  
Chairman



Majid Al Qasem  
Vice Chairman

The notes 1 to 17 form an integral part of these condensed consolidated interim financial information.

**BANK ALKHAIR B.S.C ( C )**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**for the six months ended 30 June 2016**

US\$ 000's

	note	Six months ended		Three months ended	
		30 June 2016 (reviewed)	30 June 2015 (reviewed) (restated- note 3 )	30 June 2016 (reviewed)	30 June 2015 (reviewed) (restated- note 3 )
Finance income		1,541	1,870	657	1,159
Income from investment securities	12	(1,106)	(966)	12	(2,083)
Fees and commission		3,904	2,581	2,067	1,295
Share of (loss)/profit of equity-accounted investees, net		(157)	2,666	(399)	1,551
Income from non-banking operations		15,795	15,531	7,778	7,945
Rental income		1,211	1,667	605	838
Loss on sale of investment property		(2,239)	-	(2,239)	-
Other (loss)/income		(397)	460	(273)	552
<b>Total income</b>		<b>18,552</b>	<b>23,809</b>	<b>8,208</b>	<b>11,257</b>
Staff cost		6,972	7,279	3,564	3,895
Finance expense		5,553	5,133	2,557	2,701
Legal and professional expenses		1,228	2,668	766	1,989
Premises cost		537	767	254	412
Business development expenses		262	152	147	98
Depreciation		943	877	564	421
Expenses of non-banking operations		10,774	11,712	5,394	5,863
Other operating expense		2,258	2,780	930	1,349
<b>Total expenses</b>		<b>28,527</b>	<b>31,368</b>	<b>14,176</b>	<b>16,728</b>
<b>Loss for the period before impairment allowance</b>		<b>(9,975)</b>	<b>(7,559)</b>	<b>(5,968)</b>	<b>(5,471)</b>
Impairment allowance		(3,269)	(132)	(3,269)	(132)
<b>Loss for the period</b>		<b>(13,244)</b>	<b>(7,691)</b>	<b>(9,237)</b>	<b>(5,603)</b>
Attributable to:					
Shareholders of the Bank		(15,390)	(9,440)	(10,391)	(6,502)
Non-controlling interests		2,146	1,749	1,154	899
		<b>(13,244)</b>	<b>(7,691)</b>	<b>(9,237)</b>	<b>(5,603)</b>

The notes 1 to 17 form an integral part of these condensed consolidated interim financial information.

**BANK ALKHAIR B.S.C ( C )**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2016**

US\$ 000's

	Attributable to the shareholders of the Bank						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 2016 (reviewed)	207,962	664	(249)	(15,290)	(58,478)	134,609	90,185	224,794	
As at 1 January 2016	-	-	-	-	(15,390)	(15,390)	2,146	(13,244)	
(Loss) / profit for the period (page 3)	-	-	-	9	-	9	-	9	
Foreign currency translation differences	-	-	-	95	-	95	-	335	
Share of changes in reserves of equity-accounted investees	-	-	240	-	-	240	-	335	
<b>Total recognised income and expense for the period</b>	-	-	240	104	(15,390)	(15,046)	2,146	(12,900)	
<b>As at 30 June 2016</b>	<b>207,962</b>	<b>664</b>	<b>(9)</b>	<b>(15,186)</b>	<b>(73,868)</b>	<b>119,563</b>	<b>92,331</b>	<b>211,894</b>	

30 June 2016 (reviewed)

As at 1 January 2016

(Loss) / profit for the period (page 3)

Foreign currency translation differences

Share of changes in reserves of equity-accounted investees

**Total recognised income and expense for the period**

**As at 30 June 2016**

	Attributable to the shareholders of the Bank						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 2015 (reviewed) (Restated)	207,962	664	(185)	(13,333)	(53,452)	141,656	80,975	227,445	
As at 1 January 2015 (Previously stated)	-	-	-	-	973	973	5,769	1,928	
Prior year adjustments	207,962	664	(185)	(13,333)	(52,479)	142,629	86,744	229,373	
(Loss) / profit for the period (page 3)	-	-	-	-	(9,440)	(9,440)	1,749	(7,691)	
Foreign currency translation differences	-	-	-	(237)	-	(237)	(51)	(288)	
Share of changes in reserves of equity-accounted investees	-	-	13	(766)	-	(753)	-	(753)	
<b>Total recognised income and expense for the period</b>	-	-	13	(1,003)	(9,440)	(10,430)	1,698	(8,732)	
<b>As at 30 June 2015</b>	<b>207,962</b>	<b>664</b>	<b>(172)</b>	<b>(14,336)</b>	<b>(61,919)</b>	<b>132,199</b>	<b>88,442</b>	<b>220,641</b>	

30 June 2015 (reviewed) (Restated)

As at 1 January 2015 (Previously stated)

Prior year adjustments

As at 1 January 2015 (Restated)

(Loss) / profit for the period (page 3)

Foreign currency translation differences

Share of changes in reserves of equity-accounted investees

**Total recognised income and expense for the period**

**As at 30 June 2015**

**BANK ALKHAIR B.S.C ( C )**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the six months ended 30 June 2016**

US\$ 000's

	<b>30 June 2016 (reviewed)</b>	<b>30 June 2015 (reviewed)</b>
Loss for the period	(13,244)	(7,691)
Adjustments for:		
Loss/(gain) on sale of investment securities	172	(2,276)
Fair value changes in investment securities	968	3,687
Share of loss/(profit) of equity-accounted investees	157	(2,666)
Loss on disposal of investment property	2,239	-
Depreciation and amortisation	943	877
Sukuk amortisation	(24)	215
Impairment allowance	3,269	132
	<b>(5,520)</b>	<b>(7,722)</b>
Changes in:		
Financing receivables	31,195	(59,470)
Other assets	(5,739)	(15,045)
Due to financial institutions	(11,766)	1,671
Due to customers	(25,394)	48,789
Other liabilities	31,560	9,525
<b>Net cash generated from / (used in) operating activities</b>	<b>14,336</b>	<b>(22,252)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment, net	(335)	(265)
Proceeds from sale of investment securities	27,428	58,334
Purchase of investment securities	(35,978)	(49,800)
(Purchase)/disposal of investment property	(641)	99
<b>Net cash (used in) / generated from investing activities</b>	<b>(9,526)</b>	<b>8,368</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of financing liabilities	(3,880)	(8,351)
<b>Net cash used in financing activities</b>	<b>(3,880)</b>	<b>(8,351)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the period</b>	<b>930</b>	<b>(22,235)</b>
Effect of exchange rate changes on cash and cash equivalents	(144)	(469)
Cash and cash equivalents at the beginning of the period	26,669	65,148
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>27,455</b>	<b>42,444</b>
Cash and cash equivalents comprise:		
Cash and balances with banks	8,053	33,122
Placements with financial institutions	19,402	9,322
	<b>27,455</b>	<b>42,444</b>

The notes 1 to 17 form an integral part of these condensed consolidated interim financial information.

**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 26<sup>th</sup> floor, West Tower Bahrain Financial Harbour, Building No. 1459, Road No. 4626, Manama Sea Front 346, 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 2015. 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 2015.

*Going concern*

The Group has incurred a net loss of US\$ 13,244 thousand during the six months ended 30 June 2016 and as of the date has accumulated loss of US\$ 73,868 thousand. Further, as at 30 June 2016, current contractual liabilities exceeded 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. Moreover, the Bank's capital adequacy ratio as of 30 June 2016 was below the minimum regulatory capital requirements. These conditions indicate the existence of material uncertainties, which may cast doubt about the Group's ability to continue as a going concern. To address these, the management has taken a number of initiatives including discussions with creditors who have shown willingness in the past to roll over short term placements, putting together an assets sales plan and reliance on the support of major shareholder who have also in the past provided support when it was needed. The Board of Directors has reviewed these initiatives and is satisfied with the appropriateness of the going concern assumption for preparation of the condensed consolidated interim financial information".

*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 2015. There were no new standards or amendments that were issued and effective from 1 January 2016 that would have a material effect on the condensed consolidated interim financial information.



**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 2015.

*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 2015.

- 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 2015 and comparatives for the condensed consolidated statements of income, changes in equity and cash flows have been extracted from the condensed consolidated interim financial information for the six months ended 30 June 2015 effected for the restatement given below.

*Restatement*

In the 4th quarter of 2015, the Group re-classified its investment in a subsidiary, Tintoria International, as held-for-use, because the investment no longer met the criteria to be classified as held-for-sale. 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 period as if the subsidiary had always been consolidated. The reclassification has resulted in recognition of depreciation on equipment amounting to US\$ 0.47 million for the six months and US\$ 0.22 million for the three months ended 30 June 2015 with a corresponding increase in previously reported loss and accumulated loss in total equity.

Further, in the 4th quarter of 2015, the Group changed its accounting policy for investment property from cost to fair value model. In accordance with FAS 26 and FAS 1, the earlier periods were re-stated. The change resulted in reversal of depreciation of US\$ 1.3 million that was previously recognised for the six months and US\$ 0.65 million for the three months ended 30 June 2015 with a corresponding decrease in previously reported loss and accumulated loss in total equity.

**4 CYCLICALITY**

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 after the year end and approval by the shareholders in the annual general meeting.

**BANK ALKHAIR B.S.C ( C )**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

US\$ 000's

**6 FINANCING RECEIVABLES**

	<b>30 June 2016 (reviewed)</b>	<b>31 December 2015 (audited)</b>
Gross murabaha receivables	45,725	77,338
Less: Deferred profits	(137)	(556)
<b>Net murabaha receivables</b>	<b>45,588</b>	<b>76,782</b>
Less: Specific impairment allowances	(12,190)	(9,269)
Less: Collective impairment allowances	(814)	(800)
	<b>32,584</b>	<b>66,713</b>

**7 INVESTMENT SECURITIES**

	<b>30 June 2016 (reviewed)</b>	<b>31 December 2015 (audited)</b>
<b>Equity type instruments</b>		
<i>At fair value through income statement:</i>		
- Quoted equity securities	-	673
- Unquoted equity securities	21,594	21,593
- Quoted funds	16,280	7,855
- Unquoted funds	28,162	29,490
<b>Total equity type instruments</b>	<b>66,036</b>	<b>59,611</b>
<b>Debt type instruments</b>		
<i>At amortised cost :</i>		
- Sukuk	6,342	5,319
	<b>72,378</b>	<b>64,930</b>

The fair value of the sukuk at 30 June 2016 is US\$ 6,314 thousands (2015: US\$ 5,267 thousands).

**8 EQUITY-ACCOUNTED INVESTEEES**

	<b>30 June 2016 (reviewed)</b>	<b>31 December 2015 (audited)</b>
BFC Group Holdings Ltd.	120,648	119,160
Burj Bank Limited	9,991	11,215
T'azur Company B.S.C. (c)	9,288	9,283
	<b>139,927</b>	<b>139,658</b>

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\$ 32.8 million as of 30 June 2016. The Group's share of the commitment is US\$ 8.5 million.

**9 INVESTMENT PROPERTY**

	<b>30 June 2016 (reviewed)</b>	<b>31 December 2015 (audited)</b>
Land and building – Jordan	185,881	185,239
Land and building – Kingdom of Saudi Arabia	38,521	38,521
Land – Kingdom of Bahrain	-	17,706
	<b>224,402</b>	<b>241,466</b>

During the quarter, land in Kingdom of Bahrain was sold at a loss of US\$ 2,239 thousand.

**BANK ALKHAIR B.S.C ( C )**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

US\$ 000's

**10 OTHER ASSETS**

	<b>30 June 2016 (reviewed)</b>	<b>31 December 2015 (audited)</b>
Prepayments and advances	7,048	6,721
Rental income receivable	7,030	2,548
Fees and expenses recoverable	2,675	2,980
Intangible assets	29	19
Receivable against sale of investment property	15,467	-
Others	23,151	21,947
	<b>55,400</b>	<b>34,215</b>
Less: Provision for impairment	(2,269)	(1,902)
	<b>53,131</b>	<b>32,313</b>

**11 OTHER LIABILITIES**

	<b>30 June 2016 (reviewed)</b>	<b>31 December 2015 (audited)</b>
Trade and other payables	11,852	11,120
Unearned rental income	15,090	5,240
Accruals and other provisions	4,949	4,382
Advance received for sale of an investee company	20,143	-
Deal-related payables	4,725	4,725
Staff-related payables	2,910	2,641
Provision for legal and professional expenses	200	200
Restructuring provision	419	419
	<b>60,288</b>	<b>28,727</b>

**12 INCOME FROM INVESTMENT SECURITIES**

	<b>30 June 2016 (reviewed)</b>	<b>30 June 2015 (reviewed)</b>
Fair value loss on investment securities	(968)	(3,687)
(Loss)/gain on sale of investment securities, net	(113)	1,314
Sukuk income:		
- Sukuk profit	29	428
- (Loss)/gain on sale of sukuk	(59)	962
Dividend income	5	17
	<b>(1,106)</b>	<b>(966)</b>

**13 COMMITMENTS AND CONTINGENCIES**

	<b>30 June 2016 (reviewed)</b>	<b>31 December 2015 (reviewed)</b>
Commitment to invest	10,030	10,030
Guarantees	5,311	5,311
Lease commitments	566	727
	<b>15,907</b>	<b>16,068</b>

**13 COMMITMENTS AND CONTINGENCIES (continued)**

*Litigations and claims*

Group 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. The former CEO has also filed a counter claim in the Bahraini courts for wrongful dismissal. The Bahraini Courts have ruled in favour of the Bank in a number of the civil and criminal cases. The case in the UK was filed by the Group to remedy the damages resulting from defamation and unlawful conspiracy. The case is currently in progress and the ultimate outcome of the matter cannot presently be determined and, accordingly, no provision for any effects on the Group that may result has been made in this condensed consolidated interim financial information. In 2015, the Group paid US\$ 8.1 million to the UK court, of which US\$ 4 million was utilised to pay legal expenses of the counterparties and the balance US\$ 4.1 million is included under "prepayment and advances" pending outcome of the case.

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 8.

**14 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:

	<b>30 June 2016 (reviewed)</b>	<b>30 June 2015 (reviewed)</b>
Short term employee benefits	3,919	3,710
Post-employment benefits	241	321
	<b>4,160</b>	<b>4,031</b>

**BANK ALKHAIR B.S.C ( C )**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
for the six months ended 30 June 2016

US\$ 000's

14 **RELATED PARTY TRANSACTIONS (continued)**

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

	30 June 2016 (reviewed)				31 December 2015 (audited)			
	Associates	Significant shareholders/entities in which directors have interest	Key management	Assets under management and other entities	Associates	Significant shareholders/entities in which directors have interest	Key management	Assets under management and other entities
<b>Assets</b>								
Cash and balances with banks	22	-	-	-	22	-	-	-
Financing receivables	-	-	-	986	-	-	-	15,070
Investment securities	45,256	-	-	21,055	46,584	-	-	6,910
Equity-accounted investees	139,927	-	-	-	139,658	-	-	-
Other assets	1,571	-	620	593	1,849	-	497	366
<b>Liabilities</b>								
Due to financial institutions	14,731	-	-	-	14,570	-	-	-
Due to customers	918	-	-	84,335	918	-	-	30,461
Other liabilities	159	551	2,216	499	222	417	2,574	516

	Six months ended 30 June 2016 (reviewed)				Six months ended 30 June 2015 (reviewed)			
	Associates	Significant shareholders/entities in which directors have interest	Key management	Assets under management and other entities	Associates	Significant shareholders/entities in which directors have interest	Key management	Assets under management and other entities
<b>Income / (expenses)</b>								
Income from investment securities	(1,327)	-	-	343	(3,600)	-	-	2,268
Fees and commission	1,304	-	-	52	1,129	-	-	216
Net finance income / (expense)	(262)	-	-	(1,234)	(263)	-	-	(756)
Share of profit of equity-accounted investees	(157)	-	-	-	2,666	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(194)	-	(46)	-	(243)	-	(42)

**15 SEGMENT INFORMATION**

<b>for the six months ended 30 June 2016 (reviewed)</b>					
	<b>Investment Banking &amp; Alkhair Capital Menkul Degerler A.S</b>	<b>Alkhair International Islamic Bank Malaysia Berhad</b>	<b>Alkhair Capital Saudi Arabia</b>	<b>Inter- company</b>	<b>Total</b>
Net finance (expense) / income	(4,681)	669	-	-	(4,012)
Income from investment securities	(1,262)	11	145	-	(1,106)
Fees and commission	1,372	173	2,359	-	3,904
Share of profit of equity- accounted investees	(157)	-	-	-	(157)
Income from non-banking operations	15,795	-	-	-	15,795
Rental income	-	-	1,211	-	1,211
Loss from sale of investment property	(2,239)	-	-	-	(2,239)
Other (loss)/income	(420)	23	-	-	(397)
Inter-segment income	(137)	137	-	-	-
<b>Total income</b>	<b>8,271</b>	<b>1,013</b>	<b>3,715</b>	<b>-</b>	<b>12,999</b>
Total operating expenses	(17,834)	(1,248)	(3,892)	-	(22,974)
Impairment allowance	(1,317)	(1,952)	-	-	(3,269)
<b>Loss for the period</b>	<b>(10,880)</b>	<b>(2,187)</b>	<b>(177)</b>	<b>-</b>	<b>(13,244)</b>
Equity-accounted investees	139,927	-	-	-	139,927
Segment assets	436,349	79,334	68,496	(21,444)	562,735
Segment liabilities	307,758	58,071	6,456	(21,444)	350,841

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15 SEGMENT INFORMATION (continued)

for the six months ended 30 June 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	(4,022)	759	-	-	(3,263)
Income from investment securities	(2,482)	364	1,152	-	(966)
Fees and commission	1,239	220	1,122	-	2,581
Share of profit of equity- accounted investees	2,666	-	-	-	2,666
Income from non-banking operations	15,531	-	-	-	15,531
Rental income	-	-	1,667	-	1,667
Other income	457	3	-	-	460
Inter-segment income	(166)	166	-	-	-
Total income	13,223	1,512	3,941	-	18,676
Total operating expenses	(21,257)	(1,402)	(3,576)	-	(26,235)
Impairment allowance	-	(132)	-	-	(132)
(Loss) / profit for the period	(8,034)	(22)	365	-	(7,691)
As at 31 December 2015					
Equity-accounted investees	139,658	-	-	-	139,658
Segment assets	454,214	85,865	65,705	(20,761)	585,023
Segment liabilities	294,327	80,842	5,821	(20,761)	360,229

**16 FINANCIAL INSTRUMENTS**

**Fair values**

The Group's financial instruments are accounted for under the historical cost method with the exception of investment securities. 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 2016 (reviewed)**

	Carrying amount	Fair Value
<b>Financial assets:</b>		
Balances with banks	8,053	8,053
Placements with financial institutions	19,402	19,402
Financing receivables	32,584	32,584
Investment securities	72,378	72,349
Other financial assets	49,820	49,820
	<b>182,237</b>	<b>182,208</b>
<b>Financial liabilities:</b>		
Due to financial institutions	107,697	107,697
Due to customers	182,856	182,856
Other financial liabilities	60,288	60,288
	<b>350,841</b>	<b>350,841</b>

**31 December 2015 (audited)**

	Carrying amount	Fair Value
<b>Financial assets:</b>		
Balances with banks	17,021	17,021
Placements with financial institutions	9,648	9,648
Financing receivables	66,713	66,713
Investment securities	64,930	64,878
Other financial assets	29,460	29,460
	<b>187,772</b>	<b>187,720</b>
<b>Financial liabilities:</b>		
Due to financial institutions	123,252	123,252
Due to customers	208,250	208,250
Other financial liabilities	28,727	28,727
	<b>360,229</b>	<b>360,229</b>



**16 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\$ 7.5 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 at 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).

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

**30 June 2016 (reviewed)**

*Investment securities*

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
16,281	45,256	4,499	66,036
<b>16,281</b>	<b>45,256</b>	<b>4,499</b>	<b>66,036</b>

**31 December 2015 (audited)**

*Investment securities*

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
8,528	46,584	4,499	59,611
<b>8,528</b>	<b>46,584</b>	<b>4,499</b>	<b>59,611</b>

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**16 FINANCIAL INSTRUMENTS (continued)**

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

	<b>30 June 2016 (reviewed)</b>	<b>30 June 2015 (reviewed)</b>
At 1 January	4,499	5,618
Gain/(Loss) recognised in income statement	-	(8)
<b>At 30 June</b>	<b>4,499</b>	<b>5,610</b>

**17 COMPARATIVES**

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported loss for the period or equity except for the restatement mentioned in note 3.