

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

30 September 2016

Commercial registration:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office:	26 th 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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months period ended 30 September 2016

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Independent auditors' report on review of condensed interim financial information

To
The Board of Directors
Bank AlKhair B.S.C.(c)
Manama
Kingdom of Bahrain

13 November 2016

Introduction

We have reviewed the accompanying 30 September 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 September 2016;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 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 September 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 September 2016

US\$ 000's

	note	30 September 2016 (reviewed)	31 December 2015 (audited)
ASSETS			
Cash and balances with banks		14,263	17,021
Placements with financial institutions		15,533	9,648
Financing receivables	6	16,645	66,713
Investment securities	7	66,055	64,930
Equity-accounted investees	8	140,362	139,658
Investment property	9	224,440	241,466
Other assets	10	28,291	32,313
Equipment		12,662	13,274
TOTAL ASSETS		518,251	585,023
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial institutions		93,672	123,252
Due to customers		160,948	208,250
Other liabilities	11	56,330	28,727
TOTAL LIABILITIES		310,950	360,229
EQUITY			
Share capital		207,962	207,962
Statutory reserve		664	664
Investments fair value reserve		29	(249)
Foreign currency translation reserve		(15,216)	(15,290)
Accumulated losses		(79,341)	(58,478)
Equity attributable to the shareholders of the Bank		114,098	134,609
Non-controlling interests		93,203	90,185
TOTAL EQUITY (page 4)		207,301	224,794
TOTAL LIABILITIES AND EQUITY		518,251	585,023

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 16 on 13 November 2016.



Yousef 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 nine months ended 30 September 2016

US\$ 000's

	note	Nine months ended		Three months ended	
		30 September 2016 (reviewed)	30 September 2015 (reviewed) (restated- note 3)	30 September 2016 (reviewed)	30 September 2015 (reviewed) (restated- note 3)
Finance income		1,865	3,236	324	1,366
Income from investment securities	12	(4,030)	(2,529)	(2,924)	(1,563)
Fees and commission		5,366	3,833	1,462	1,252
Share of profit of equity-accounted investees, net		195	4,013	352	1,347
Income from non-banking operations		23,445	23,655	7,650	8,124
Rental income		1,817	2,520	606	853
Loss on sale of investment property	9	(2,239)	-	-	-
Foreign exchange loss, net		(587)	(52)	(175)	(482)
Other income		2,047	56	2,032	26
Total income		27,879	34,732	9,327	10,923
Staff cost		10,590	11,747	3,618	4,468
Finance expense		8,400	8,205	2,847	3,072
Legal and professional expenses		1,433	2,880	205	212
Premises cost		777	1,064	240	297
Business development expenses		353	231	91	79
Depreciation		1,393	1,237	450	360
Expenses of non-banking operations		16,038	17,949	5,264	6,237
Other operating expense		3,035	4,046	777	1,266
Total expenses		42,019	47,359	13,492	15,991
Loss for the period before impairment allowance		(14,140)	(12,627)	(4,165)	(5,068)
Impairment allowance		(3,705)	(339)	(436)	(207)
Loss for the period		(17,845)	(12,966)	(4,601)	(5,275)
Attributable to:					
Shareholders of the Bank		(20,863)	(15,019)	(5,473)	(5,579)
Non-controlling interests		3,018	2,053	872	304
		(17,845)	(12,966)	(4,601)	(5,275)

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 nine months ended 30 September 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			
207,962	664	(249)	(15,290)	(58,478)	134,609	90,185	-	224,784	
-	-	-	-	(20,863)	(20,863)	3,018	-	(17,845)	
-	-	-	(21)	-	(21)	-	-	(21)	
-	-	278	95	-	373	-	-	373	
-	-	278	74	(20,863)	(20,511)	3,018	-	(17,493)	
207,962	664	29	(15,216)	(79,341)	114,098	93,203	-	207,301	

30 September 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 September 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			
207,962	664	(185)	(13,333)	(53,452)	141,656	80,975	4,814	227,445	
-	-	-	-	973	973	5,769	(4,814)	1,928	
207,962	664	(185)	(13,333)	(52,479)	142,629	86,744	-	229,373	
-	-	-	-	(15,019)	(15,019)	2,053	-	(12,966)	
-	-	-	(444)	-	(444)	(62)	-	(506)	
-	-	(45)	(1,447)	-	(1,492)	-	-	(1,492)	
-	-	(45)	(1,891)	(15,019)	(16,955)	1,991	-	(14,964)	
207,962	664	(230)	(15,224)	(67,498)	125,674	88,735	-	214,409	

30 September 2015 (reviewed) (Restated)

As at 1 January 2015 (Previously reported)

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 September 2015

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

US\$ 000's

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Loss for the period	(17,845)	(12,966)
Adjustments for:		
Loss/(gain) on sale of investment securities	154	(1,838)
Fair value changes in investment securities	3,923	4,985
Share of (profit)/loss of equity-accounted investees	(195)	(4,013)
Loss on disposal of investment property	2,239	-
Depreciation and amortisation	1,393	1,237
Sukuk amortisation	(32)	47
Impairment allowance	3,705	339
	(6,658)	(12,209)
Changes in:		
Financing receivables	46,699	(66,064)
Other assets	3,624	(12,363)
Due to financial institutions	(23,897)	14,017
Due to customers	(47,302)	34,001
Other liabilities	27,602	5,528
Net cash generated from / (used in) operating activities	68	(37,090)
INVESTING ACTIVITIES		
Purchase of equipment, net	(498)	(919)
Proceeds from sale of investment securities	35,244	66,589
Purchase of investment securities	(40,463)	(59,567)
Proceeds from sale of investment property	14,788	-
Net cash generated from investing activities	9,071	6,103
FINANCING ACTIVITIES		
Repayment of financing liabilities	(5,820)	(8,351)
Net cash used in financing activities	(5,820)	(8,351)
Net increase/(decrease) in cash and cash equivalents during the period	3,319	(39,338)
Effect of exchange rate changes on cash and cash equivalents	(192)	(823)
Cash and cash equivalents at the beginning of the period	26,669	65,148
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29,796	24,987
Cash and cash equivalents comprise:		
Cash and balances with banks	14,263	16,053
Placements with financial institutions	15,533	8,934
	29,796	24,987

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 26th 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\$ 17,845 thousand during the nine months ended 30 September 2016 and as of the date has accumulated loss of US\$ 79,341 thousand. Further, as at 30 September 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 September 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 nine months ended 30 September 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\$ 0.67 million for the nine months and US\$ 0.20 million for the three months ended 30 September 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\$ 1.9 million that was previously recognised for the nine months and US\$ 0.6 million for the three months ended 30 September 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 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 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 nine months ended 30 September 2016

US\$ 000's

6 FINANCING RECEIVABLES

	30 September 2016 (reviewed)	31 December 2015 (audited)
Gross murabaha receivables	30,206	77,338
Less: Deferred profits	(123)	(558)
Net murabaha receivables	30,083	76,782
Less: Specific impairment allowances	(12,624)	(9,269)
Less: Collective impairment allowances	(814)	(800)
	16,645	66,713

7 INVESTMENT SECURITIES

	30 September 2016 (reviewed)	31 December 2015 (audited)
Equity type instruments		
<i>At fair value through income statement:</i>		
- Quoted equity securities	-	673
- Unquoted equity securities	18,743	21,593
- Quoted funds	15,730	7,855
- Unquoted funds	28,241	29,490
Total equity type instruments	62,714	59,611
Debt type instruments		
<i>At amortised cost :</i>		
- Sukuk	3,341	5,319
	66,055	64,930

The fair value of the sukuk at 30 September 2016 is US\$ 3,309 thousands (2015: US\$ 5,267 thousands).

8 EQUITY-ACCOUNTED INVESTEEES

	30 September 2016 (reviewed)	31 December 2015 (audited)
BFC Group Holdings Ltd.	121,488	119,160
Burj Bank Limited	9,511	11,215
t'azur Company B.S.C. (c)	9,363	9,283
	140,362	139,658

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 September 2016. The Group's share of the commitment is US\$ 8.5 million.

In July 2016, the Group entered into an agreement with Albaraka Bank (counterparty) for sale of its stake in Burj Bank Limited to facilitate merger of Burj Bank with Albaraka Pakistan. The necessary approvals from State Bank of Pakistan were obtained by 1 November 2016, however some related legal formalities are still in process. Accordingly, the Group would derecognise Burj Bank in the period subsequent to the reporting date subject to successful financial closure of the transaction. The sale will result in recognition of loss of US\$ 7.2 million.

9 INVESTMENT PROPERTY

	30 September 2016 (reviewed)	31 December 2015 (audited)
Land and building – Jordan	185,919	185,239
Land and building – Kingdom of Saudi Arabia	38,521	38,521
Land – Kingdom of Bahrain	-	17,706
	224,440	241,466

During the second 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 nine months ended 30 September 2016

US\$ 000's

10 OTHER ASSETS

	30 September 2016 (reviewed)	31 December 2015 (audited)
Prepayments and advances	6,522	6,721
Rental income receivable	6,428	2,548
Fees and expenses recoverable	2,921	2,980
Intangible assets	20	19
Others	14,669	21,947
	30,560	34,215
Less: Provision for impairment	(2,269)	(1,902)
	28,291	32,313

11 OTHER LIABILITIES

	30 September 2016 (reviewed)	31 December 2015 (audited)
Trade and other payables	11,005	11,120
Unearned rental income	11,792	5,240
Accruals and other provisions	4,677	4,382
Advance received for partial sale of a subsidiary *	20,143	-
Deal-related payables	4,725	4,725
Staff-related payables	3,369	2,641
Provision for legal and professional expenses	200	200
Restructuring provision	419	419
	56,330	28,727

* This represents advance received for sale of 33% of a subsidiary in which Group owns 53%. The sale is subject to regulatory approvals.

12 INCOME FROM INVESTMENT SECURITIES

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Fair value loss on investment securities	(3,923)	(4,985)
(Loss)/gain on sale of investment securities, net	(95)	963
Sukuk income:		
- Sukuk profit	42	595
- (Loss)/gain on sale of sukuk	(59)	875
Dividend income	5	23
	(4,030)	(2,529)

13 COMMITMENTS AND CONTINGENCIES

	30 September 2016 (reviewed)	31 December 2015 (reviewed)
Commitment to invest	10,030	10,030
Guarantees	5,154	5,311
Lease commitments	485	727
	15,669	16,068

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:

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Short term employee benefits	5,545	6,318
Post-employment benefits	460	481
	6,005	6,799

BANK ALKHAIR B.S.C (C)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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 September 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
Assets								
Cash and balances with banks	22	-	-	-	22	-	-	-
Financing receivables	-	-	-	986	-	-	-	15,070
Investment securities	42,486	-	-	20,510	46,584	-	-	6,910
Equity-accounted investees	140,362	-	-	-	139,658	-	-	-
Other assets	1,715	-	631	1,033	1,849	-	497	366
Liabilities								
Due to financial institutions	14,769	-	-	-	14,570	-	-	-
Due to customers	918	138,289	-	-	918	30,461	-	-
Other liabilities	147	696	2,451	-	222	417	2,574	516

	Nine months ended 30 September 2016 (reviewed)				Nine months ended 30 September 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
Income / (expenses)								
Income from investment securities	(4,097)	-	-	182	(4,486)	-	-	2,108
Fees and commission	1,945	-	-	77	1,680	-	-	351
Net finance income / (expense)	(394)	-	-	(3,041)	(392)	-	-	(1,105)
Share of profit of equity-accounted investees	195	-	-	-	4,013	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(291)	-	(66)	-	(350)	-	(62)

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

US\$ 000's

15 SEGMENT INFORMATION

for the nine months ended 30 September 2016 (reviewed)					
	Investment Banking & Alkhair Capital Menkul Degerter A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter- company	Total
Net finance (expense) / income	(7,272)	737	-	-	(6,535)
Income from investment securities	(4,042)	18	(6)	-	(4,030)
Fees and commission	2,047	215	3,104	-	5,366
Share of profit of equity- accounted investees	195	-	-	-	195
Income from non-banking operations	23,445	-	-	-	23,445
Rental income	-	-	1,817	-	1,817
Loss from sale of investment property	(2,239)	-	-	-	(2,239)
Foreign exchange (loss)/gain, net	(616)	29	-	-	(587)
Other (loss)/income	2,047	-	-	-	2,047
Inter-segment income	(206)	206	-	-	-
Total Income	13,359	1,205	4,915	-	19,479
Total operating expenses	(26,330)	(1,767)	(5,522)	-	(33,619)
Impairment allowance	(1,316)	(2,389)	-	-	(3,705)
Loss for the period	(14,287)	(2,951)	(607)	-	(17,845)
Equity-accounted investees	140,362	-	-	-	140,362
Segment assets	416,535	55,124	68,101	(21,509)	518,251
Segment liabilities	291,342	34,625	6,492	(21,509)	310,950

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

US\$ 000's

15 SEGMENT INFORMATION (continued)

for the nine months ended 30 September 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	(6,346)	1,377	-	-	(4,969)
Income from investment securities	(3,398)	424	445	-	(2,529)
Fees and commission	1,822	368	1,643	-	3,833
Share of profit of equity- accounted investees	4,013	-	-	-	4,013
Income from non-banking operations	23,655	-	-	-	23,655
Rental income	-	-	2,520	-	2,520
Foreign exchange (loss)/gain, net	(43)	(9)	-	-	(52)
Other income	56	-	-	-	56
Inter-segment income	(247)	247	-	-	-
Total income	19,512	2,407	4,608	-	26,527
Total operating expenses	(31,812)	(1,987)	(5,355)	-	(39,154)
Impairment allowance	(40)	(299)	-	-	(339)
(Loss) / profit for the period	(12,340)	121	(747)	-	(12,966)
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 September 2016 (reviewed)	Carrying amount	Fair Value
Financial assets:		
Balances with banks	14,263	14,263
Placements with financial institutions	15,533	15,533
Financing receivables	16,645	16,645
Investment securities	66,055	66,021
Other financial assets	25,209	25,209
	137,705	137,671
Financial liabilities:		
Due to financial institutions	93,672	93,672
Due to customers	160,948	160,948
Other financial liabilities	56,330	56,330
	310,950	310,950
31 December 2015 (audited)	Carrying amount	Fair Value
Financial assets:		
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
	187,772	187,720
Financial liabilities:		
Due to financial institutions	123,252	123,252
Due to customers	208,250	208,250
Other financial liabilities	28,727	28,727
	360,229	360,229

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 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 September 2016 (reviewed)

Investment securities

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
15,730	42,485	4,499	62,714
15,730	42,485	4,499	62,714

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
8,528	46,584	4,499	59,611

BANK ALKHAIR B.S.C (C)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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16 FINANCIAL INSTRUMENTS (continued)

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

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
At 1 January	4,499	5,618
Gain/(Loss) recognised in income statement	-	(15)
Purchases	-	850
At 30 September	4,499	6,453

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.