

**Bank Alkhair B.S.C. (c)**

**Interim condensed consolidated  
financial statements**

**31 March 2019 (Reviewed)**

## Bank Alkhair B.S.C. (c)

### INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019 (REVIEWED)

Commercial registration no.	53462-1 obtained on 29 April 2004
CBB Licence no.	WB/050 obtained on 6 January 2004
Board of Directors	Yousef A. S Al Shelash - Chairman Majed Abdulrahman Alqasem Abdullah Ali A Aldubaikhi (resigned with effect from 2.5.2019) Abdullatiff Abdullah S. Al Shelash - Vice Chairman (resigned with effect from 2.5.2019) Abdulrazaq M A O Alwohaib (resigned with effect from 2.5.2019) Dr. Ahmed Saleh S. Al Dehailan Dr. Abdulaziz Naif O Al Orayer (resigned with effect from 2.5.2019) Khaled Shaheen Saqer Shaheen Meshari Al Mulla (resigned with effect from 2.5.2019)
Audit & Risk Committee	Dr. Ahmed Al Dehailan - Chairman Majed Abdulrahman Alqasem Khaled Shaheen Saqer Shaheen
Nomination, Remuneration and Governance Committee	Majed Abdulrahman Alqasem - Chairman Yousef A. S Al Shelash Abdullah Ali A Aldubaikhi (resigned with effect from 2.5.2019) Dr. Nizam Yaqouby
Shari'a Supervisory Board	Dr. Ali Muhyealdin Al-Quradaghi - Chairman Dr. Mohammad Daud Bakar Dr. Nizam Mohammad Saleh
Registered office	Flat No. 2601, Building No. 1459 Road No. 4626, Block No. 346 Manama Sea Front PO Box 31700 Kingdom of Bahrain
Principal bankers	Arab Bank Ahli United Bank Al Salam Bank Bahrain Middle East Bank Kuwait Finance House Turkiye Halk Bankasi
Auditors	BDO 17 <sup>th</sup> Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain

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## **Review report on the condensed consolidated interim financial information to the Board of Directors of Bank Alkhair B.S.C. (c)**

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Bank Alkhair B.S.C. (c) (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) as at 31 March 2019, the condensed consolidated interim statement of income, the condensed consolidated interim statement of changes in owners’ equity, the condensed consolidated interim statement of cash flows for the three months period then ended, and selected explanatory notes. The Board of Directors 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 and the Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Group. 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 International Standard on Review Engagements 2410 - “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed consolidated 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 International Standards on Auditing 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.

### **Other matters**

The condensed interim financial statements of the Group for the three months period ended 31 March 2018 were reviewed by another auditor who expressed a unqualified review report on those statements in their report dated 14 June 2018. The annual audit for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified audit report on those statements in their report dated 28 March 2019.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information does not present fairly, in all material respects, the financial position of the Group as at 31 March 2019, and of its financial performance and its cash flows for the three months period then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Sharia’a Rules and Principles as determined by the Sharia’a Supervisory Board of the Group.

### **Emphasis of matter**

We draw attention to Note 2 to the condensed consolidated interim financial information which explains certain matters relating to the Group’s liquidity position, accumulated losses and regulatory capital adequacy requirements, implications of these matters for the basis of preparation of these condensed interim consolidated financial information and management’s action plans to deal with these matters. Our conclusion is not modified in respect of these matters.



Manama, Kingdom of Bahrain  
30 June 2019



Bank Alkhair B.S.C. (c)

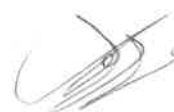
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Reviewed)

		<i>Reviewed</i> <b>31 March</b> <b>2019</b> <b>US\$ '000</b>	<i>Audited</i> <b>31 December</b> <b>2018</b> <b>US\$ '000</b>
<b>ASSETS</b>			
Cash and balances with banks		17,298	3,777
Placements with financial institutions		13,380	5,056
Financing receivables	3	4,441	1,911
Investments	4	50,008	73,342
Investment in associates	5	127,513	127,440
Investments in real estate	6	222,397	222,310
Other assets	7	38,334	29,215
Equipment		538	7,821
<b>TOTAL ASSETS</b>		<b>473,909</b>	<b>470,872</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to financial institutions		38,802	47,866
Due to customers		226,873	212,944
Other liabilities	8	31,979	26,371
<b>Total liabilities</b>		<b>297,654</b>	<b>287,181</b>
<b>Owners' equity</b>			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		242	242
Foreign currency translation reserve		(2,736)	(2,812)
Accumulated losses		(135,923)	(130,353)
<b>Equity attributable to the shareholders of the Bank</b>		<b>70,209</b>	<b>75,703</b>
Non-controlling interests		106,046	107,988
<b>Total owners' equity</b>		<b>176,255</b>	<b>183,691</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>473,909</b>	<b>470,872</b>



Yousef Abdullah Al-Shelash  
Chairman



Majid Al Qasem  
Vice Chairman

The notes 1 to 15 form an integral part of these condensed consolidated interim financial information.

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three month period ended 31 March 2019 (Reviewed)

	Note	Three months ended	
		31 March	
		2019	2018
		US\$ '000	US\$ '000
Income from non-banking operations		4,893	5,451
Fees and commission		2,497	2,544
Net income from investments	9	1,107	265
Rental income		606	606
Finance income		71	251
Share of loss from associates, net		(26)	(85)
Other income		26	156
Foreign exchange gain		2	64
<b>Total income</b>		<b>9,176</b>	<b>9,252</b>
Expenses of non-banking operations		3,283	2,924
Staff cost		5,329	3,904
Finance cost		3,827	2,986
Legal and professional expenses		308	2,316
Depreciation		143	156
Premises cost		394	267
Business development expenses		90	137
Other operating expense		961	1,116
<b>Total expenses</b>		<b>14,335</b>	<b>13,806</b>
<b>Loss for the period before impairment provision</b>		<b>(5,159)</b>	<b>(4,554)</b>
Impairment (charge) / reversal		(49)	66
<b>Loss for the period from continuing operations</b>		<b>(5,208)</b>	<b>(4,488)</b>
<b>Discontinued operations</b>			
Income from discontinued operations	10	258	57
Net gain on sale of subsidiary	10	98	-
<b>Loss for the period</b>		<b>(4,852)</b>	<b>(4,431)</b>
Attributable to:			
Shareholders of the Bank		(5,570)	(5,674)
Non-controlling interests		718	1,243
		<b>(4,852)</b>	<b>(4,431)</b>



Yousef Abdullah Al-Shelash  
Chairman



Majid Al Qasem  
Vice Chairman

The notes 1 to 15 form an integral part of these interim condensed consolidated financial information.

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three month period ended 31 March 2019 (Reviewed)

	<i>Equity attributable to the shareholders of the Bank</i>							<i>Total equity US\$ '000</i>
	<i>Share capital US\$ '000</i>	<i>Statutory reserve US\$ '000</i>	<i>Investments fair value reserve US\$ '000</i>	<i>Foreign currency translation reserve US\$ '000</i>	<i>Accumulated losses US\$ '000</i>	<i>Total US\$ '000</i>	<i>Non-controlling interests US\$ '000</i>	
As at 1 January 2019	207,962	664	242	(2,812)	(130,353)	75,703	107,988	183,691
(Loss) / income for the period	-	-	-	-	(5,570)	(5,570)	718	(4,852)
Foreign currency translation differences	-	-	-	(6)	-	(6)	-	(6)
Share of changes in reserves of investment in associates	-	-	-	82	-	82	-	82
Adjustment on sale of subsidiary	-	-	-	-	-	-	(2,660)	(2,660)
<b>As at 31 March 2019</b>	<b>207,962</b>	<b>664</b>	<b>242</b>	<b>(2,736)</b>	<b>(135,923)</b>	<b>70,209</b>	<b>106,046</b>	<b>176,255</b>
As at 1 January 2018	207,962	664	487	(5,179)	(115,687)	88,247	101,711	189,958
(Loss) / income for the period	-	-	-	-	(5,674)	(5,674)	1,243	(4,431)
Foreign currency translation differences	-	-	-	18	-	18	-	18
Share of changes in reserves of investment in associates	-	-	-	524	-	524	-	524
As at 31 March 2018	207,962	664	487	(4,637)	(121,361)	83,115	102,954	186,069

The notes 1 to 15 form an integral part of these condensed consolidated interim financial information.

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2019 (Reviewed)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2019</b>	<b>2018</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	<b>(4,852)</b>	(4,431)
Adjustments for:		
Gain on sale of investment securities	<b>(1,042)</b>	(1,189)
Fair value (gain) / loss on investments	-	931
Share of (profit) / loss from associates	<b>26</b>	85
Depreciation	<b>143</b>	404
Sukuk amortisation	-	(136)
Charge / (reversal) of Impairment	<b>49</b>	(66)
Gain on sale of subsidiary	<b>(98)</b>	-
	<b>(5,774)</b>	(4,402)
Changes in:		
Financing receivables	<b>12</b>	4,692
Other assets	<b>(9,344)</b>	(10,813)
Due to financial institutions	<b>(5,200)</b>	(1,915)
Due to customers	<b>13,929</b>	1,740
Other liabilities	<b>7,604</b>	2,349
Net cash provided by/(used in) operating activities	<b>1,227</b>	(8,349)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment, net	<b>217</b>	(98)
Proceeds from sale of investments	<b>24,374</b>	14,249
Purchase of investment securities	-	(3,293)
Purchase of investments in real estate	<b>(87)</b>	(9)
Net cash flow from sale of subsidiary	-	-
Net cash provided by investing activities	<b>24,504</b>	10,849
<b>FINANCING ACTIVITY</b>		
Repayment of financing liabilities	<b>(3,880)</b>	(1,608)
Net cash used in financing activity	<b>(3,880)</b>	(1,608)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>21,851</b>	892
Effect of exchange rate changes on cash and cash equivalents	<b>(6)</b>	18
Cash and cash equivalents at the beginning of the period	<b>8,833</b>	14,760
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>30,678</b>	15,670
Comprising of:		
Cash and balances with banks	<b>17,298</b>	8,864
Placements with financial institutions	<b>13,380</b>	6,806
	<b>30,678</b>	15,670

**Non-cash transactions:**

The proceeds from sale of operations in the subsidiary company during the current period has been eliminated from statement of cash flows of the three months period ended 31 March 2019, being a non-cash transaction.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

**1 INCORPORATION AND PRINCIPAL ACTIVITY**

Bank Alkhair B.S.C. (c) (“the Bank”) is a Bahraini closed shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 53462 obtained on 29 April 2004.

The Bank operates as an Islamic Wholesale Bank under a license granted by the Central Bank of Bahrain (“CBB”) and accordingly the Banks’s activities are regulated by the CBB and supervised by a Religious Supervisory Board (“the Shari’a Supervisory Board”).

Shareholders of the Bank at an Extra Ordinary General Meeting held on 22 February 2018 have approved a restructuring which will, inter alia, involve the surrender of the banking license and the conversion of the Bank into a holding company. Necessary applications have been submitted with the CBB and is in the process. The Group through its regulated subsidiaries will continue to undertake Islamic Capital Market activities in Saudi Arabia.

The Bank and its subsidiaries (together referred to as “the Group”) aims to provide a full range of investment banking products and services that are compliant with Shari’a 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 AND ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The condensed consolidated interim financial information have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (‘AAOIFI’), the Shari’a Rules and Principles as determined by the Shari’a Supervisory Advisor of the Group. For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards (‘the IFRS’) issued by International Accounting Standards Board.

Accordingly, in absence of relevant standards in AAOIFI relating to interim financial statements, the guidance from International Accounting Standard 34 - “Interim Financial Reporting” is used in preparation of this interim condensed consolidated financial information for the three months period ended 31 March 2019.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 March 2019 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.1 Basis of Preparation (continued)***Going concern*

As at 31 March 2019, 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 Bank's capital adequacy ratio and equity as of 31 March 2019 was below the minimum regulatory capital requirements. Moreover, the accumulated deficit of the Group exceeded 50% of its paid-up capital as at the reporting date. The Bahrain Commercial Companies Law requires that, where the accumulated losses of the Group exceed its share capital by more than 50%, the shareholders should resolve to continue with the operations of the Group. These factors 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 a robust assets sales plan and particularly the ongoing support from major shareholders who have also in the past provided support when it was needed. The management is also working on the conversion of the Bank into a holding company as approved by the shareholders. The Board of Directors has reviewed these initiatives and is satisfied with the appropriateness of the going concern assumption for preparation of these interim condensed consolidated financial information.

As at 31 March 2019 and 31 December 2018, the Bank owned the following subsidiaries:

<b>Subsidiaries</b>	<b>Ownership for 2019</b>	<b>Ownership for 2018</b>	<b>Year of Incorporation/ acquisition</b>	<b>Country of incorporation</b>
Alkhair International Islamic Bank Malaysia Berhad	100%	100%	2004	Malaysia
Alkhair Portfoy Yonetimi A.S.	99.6%	99.6%	2007	Turkey
Al-Tajamouat for Touristic Projects Co Plc	50.6%	50.6%	2013	Jordan
Tintoria International Limited	52.1%	52.1%	2014	UAE
Alkhair Capital Saudi Arabia	53.3%	53.3%	2009	Kingdom of Saudi Arabia

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 March 2019 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.2 Significant accounting policies**

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements of the Group prepared as at, and for the year ended 31 December 2018, as described in those financial statements. The condensed consolidated interim financial information should therefore be read in conjunction with the audited consolidated financial statements prepared as at, and for the year ended 31 December 2018, which have been prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and International Financial Reporting Standards.

**3 FINANCING RECEIVABLES**

	<i>Reviewed</i> <b>31 March</b> <i>2019</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2018</i> <i>US\$ '000</i>
Gross murabaha receivables	<b>15,453</b>	12,901
Less: Deferred profits	<b>(15)</b>	(42)
<b>Net murabaha receivables</b>	<b>15,438</b>	12,859
Less: Specific impairment allowances	<b>(10,699)</b>	(10,699)
Less: Collective impairment allowances	<b>(298)</b>	(249)
	<b>4,441</b>	1,911

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

**4 INVESTMENTS**

	<i>Reviewed</i> <b>31 March</b> 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
<b>Equity type instruments</b>		
At fair value through statement of income		
Equity securities		
- Quoted	-	22,448
- Unquoted	<b>4,975</b>	4,975
Total equity securities	<b>4,975</b>	27,423
Mutual funds		
- Quoted	<b>3,853</b>	3,785
- Unquoted	<b>38,291</b>	38,489
Total mutual funds	<b>42,144</b>	42,274
Total investments at fair value through statement of income	<b>47,119</b>	69,697
<b>Debt type instruments</b>		
At amortised cost:		
- Sukuk	<b>2,889</b>	3,645
	<b>50,008</b>	73,342

The fair value of the investments carried at amortised cost as at 31 March 2019 is US\$ 2,939 thousands (31 December 2018: US\$ 3,606 thousands).

**5 INVESTMENT IN ASSOCIATES**

	<i>Reviewed</i> <b>31 March</b> 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
BFC Group Holdings Ltd.	<b>117,194</b>	117,366
T'azur Company B.S.C. (c)	<b>7,484</b>	7,484
Alkhair Capital Dubai	<b>2,835</b>	2,590
	<b>127,513</b>	127,440

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\$ 42.2 million. The Group's share of the commitment as at 31 March 2019 is US\$ 10.9 million (31 December 2018: US\$ 10.9 million).

**6 INVESTMENTS IN REAL ESTATE**

	<i>Reviewed</i> <b>31 March</b> 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
Land and building – Jordan	<b>183,876</b>	183,789
Land and building – Kingdom of Saudi Arabia	<b>38,521</b>	38,521
	<b>222,397</b>	222,310

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

**7 OTHER ASSETS**

	<i>Reviewed</i> <b>31 March</b> 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
Rental income receivable	12,864	9,620
Accounts receivable	10,314	8,327
Prepayments and advances	2,663	2,781
Fees and expenses recoverable	1,735	2,541
Intangible assets	6	11
Receivable from employees	10	3
Others	13,011	8,201
	<b>40,603</b>	31,484
Less: Provision for impairment	<b>(2,269)</b>	(2,269)
	<b>38,334</b>	29,215

**8 OTHER LIABILITIES**

	<i>Reviewed</i> <b>31 March</b> 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
Advance rental income	12,011	8,807
Trade and other payables	13,509	11,530
Accruals and other provisions	2,215	2,243
Staff-related payables	3,825	3,372
Restructuring provision	419	419
	<b>31,979</b>	26,371

**9 NET INCOME / (LOSS) FROM INVESTMENTS**

	<i>Reviewed</i>	
	<b>31 March</b> 2019 <i>US\$ '000</i>	31 March 2018 <i>US\$ '000</i>
Fair value loss on investments	-	(931)
Gain on sale of investment securities	1,042	1,208
Sukuk income		
- Sukuk profit	65	7
- Loss on sale of sukuks	-	(19)
	<b>1,107</b>	265

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 March 2019 (Reviewed)

**10 DISCONTINUED OPERATIONS**

During the current quarter, the Group sold its total stake of 52.1% in one of its subsidiary, Cleanswift UAE, held through Tintoria International Limited. Accordingly, the Group has derecognized the operations of the subsidiary on loss of control. Total profit of US\$ 258 thousand from operations of the subsidiary till the date of loss of control has been presented as "Discontinued Operations" in the interim consolidated statement of income. The disposal has the following impact on the condensed consolidated interim financial information for the period ended 31 March 2019:

	<i>US\$ '000</i>
Gross consideration	2,987
Less: Net assets derecognised	(2,889)
	<hr/>
Gain recognised for the period	98
	<hr/> <hr/>
The effect of disposal for the purpose of cash flow statement is given below:	
Gross consideration	2,987
Less: Cash derecognised	(299)
	<hr/>
	2,688
	<hr/> <hr/>

**11 COMMITMENTS AND CONTINGENCIES**

	<i>Reviewed 31 March 2019 US\$ '000</i>	<i>Audited 31 December 2018 US\$ '000</i>
Commitment to invest	9,500	9,500
Lease commitments	-	72
	<hr/>	<hr/>
	9,500	9,572
	<hr/> <hr/>	<hr/> <hr/>

*Litigations and claims*

The 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 Bahraini Courts have ruled in favour of the Group 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 which is now ended.

A number of employment claims have been filed against the Group by former employees. The Group's external legal counsel has confirmed that the Group 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 Group believe that such disclosures may be prejudicial to the Group's legal position.

The Group's share of commitments arising from its investment in associates is disclosed in note 5.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 March 2019 (Reviewed)

**12 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 Group and shareholders exercise significant influence, directors, members of Shari'ah Supervisory Board, executive management and external auditors of the Group.

**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:

	<i>Reviewed</i>	
	<b>31 March 2019 US\$ '000</b>	<b>31 March 2018 US\$ '000</b>
Short term employee benefits	<b>1,989</b>	2,080
Post-employment benefits	<b>155</b>	128
	<b>2,144</b>	<b>2,208</b>

Bank Alkhair B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

12 RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2019 (Reviewed)		31 December 2018 (Audited)					
	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000
<b>Assets</b>								
Investment securities	33,149	-	-	10,358	33,150	-	-	10,296
Investment in associates	127,513	-	-	-	127,440	-	-	-
Other assets	567	246	4	1,627	1,286	236	-	1,551
<b>Liabilities</b>								
Due to financial institutions	-	-	-	-	5,184	-	-	-
Due to customers	833	223,791	-	-	833	209,547	-	-
Other liabilities	21	263	2,851	73	21	422	2,458	42
	<b>Three months ended 31 March 2019 (Reviewed)</b>		<b>Three months ended 31 March 2018 (Reviewed)</b>					
	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000
<b>Income / (expenses)</b>								
Income / (loss) from investments	-	65	-	62	36	(18)	-	32
Fees and commission	295	-	-	1,876	274	-	-	1,191
Net finance expense	(48)	(3,744)	-	-	(80)	(2,794)	-	-
Share of income from associates	(26)	-	-	-	(85)	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(42)	-	-	-	(106)	-	(16)



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

## 13 SEGMENT INFORMATION

*For the three months ended 31 March 2019 (Reviewed)*

	<i>Investment Banking &amp; Alkhair Portfoy US\$ '000</i>	<i>Alkhair International Islamic Bank Malaysia Berhad US\$ '000</i>	<i>Alkhair Capital Saudi Arabia US\$ '000</i>	<i>Inter- company US\$ '000</i>	<i>Total US\$ '000</i>
Net finance (expense) / income	(3,827)	71	-	-	(3,756)
Income from investments	-	65	1,042	-	1,107
Fees and commission	295	10	2,192	-	2,497
Share of (loss)/profit from associates	(271)	-	245	-	(26)
Income from non-banking operations	4,893	-	-	-	4,893
Rental income	-	-	606	-	606
Other income	26	-	-	-	26
Foreign exchange (loss)/gain	(1)	3	-	-	2
<b>Total income</b>	<b>1,115</b>	<b>149</b>	<b>4,085</b>	<b>-</b>	<b>5,349</b>
Total operating expenses	(4,870)	(1,158)	(4,480)	-	(10,508)
Impairment charge	-	(49)	-	-	(49)
Profit from discontinued operations	258	-	-	-	258
Net gain on sale of subsidiary	98	-	-	-	98
<b>Net loss for the period</b>	<b>(3,399)</b>	<b>(1,058)</b>	<b>(395)</b>	<b>-</b>	<b>(4,852)</b>
Investment in associates	124,678	-	2,835	-	127,513
Segment assets	378,871	17,973	84,236	(7,171)	473,909
Segment liabilities	298,176	770	5,879	(7,171)	297,654

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

## 13 SEGMENT INFORMATION (continued)

For the three months ended 31 March 2018 (Reviewed)

	<i>Investment Banking &amp; Alkhair Portfoy US\$ '000</i>	<i>Alkhair International Islamic Bank Malaysia Berhad US\$ '000</i>	<i>Alkhair Capital Saudi Arabia US\$ '000</i>	<i>Inter- company US\$ '000</i>	<i>Total US\$ '000</i>
<b>External revenue</b>					
Net finance (expense) / income	(2,933)	198	-	-	(2,735)
Income from investments	21	6	238	-	265
Fees and commission	299	2	2,243	-	2,544
Share of loss from investment in associates	(85)	-	-	-	(85)
Income from non-banking operations	5,451	-	-	-	5,451
Rental income	-	-	606	-	606
Other income	27	-	129	-	156
Foreign exchange gain	62	2	-	-	64
Inter-segment (loss) / income	(56)	56	-	-	-
<b>Total income</b>	<b>2,786</b>	<b>264</b>	<b>3,216</b>	<b>-</b>	<b>6,266</b>
<b>Total operating expenses</b>	<b>(6,883)</b>	<b>(692)</b>	<b>(3,245)</b>	<b>-</b>	<b>(10,820)</b>
Reversal of Impairment	-	66	-	-	66
Profit from discontinued operations	57	-	-	-	57
<b>Net loss for the period</b>	<b>(4,040)</b>	<b>(362)</b>	<b>(29)</b>	<b>-</b>	<b>(4,431)</b>
<b>As at 31 December 2018</b>					
Investment in associates	124,850	-	2,590	-	127,440
Segment assets	375,018	19,141	83,839	(7,126)	470,872
Segment liabilities	288,340	880	5,087	(7,126)	287,181

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

**14 FINANCIAL INSTRUMENTS**

**Fair values**

As disclosed in note 2.2, the Group's financial instruments are accounted for under historical cost basis, except for equity-type instruments carried at fair value through income and through equity that have been measured at fair value.

The fair values of the Group's financial assets and financial liabilities are not significantly different from their carrying values except for investments whose fair value is US\$ 50,058 thousand against the carrying value of US\$ 50,008 thousand (31 December 2018: fair value of US\$ 73,303 thousand against the carrying value US\$ 73,342 thousand).

**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\$ 6.5 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

**14 FINANCIAL INSTRUMENTS (continued)****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:

<b>31 March 2019 (Reviewed)</b>	<b>Level 1 US\$ '000</b>	<b>Level 2 US\$ '000</b>	<b>Level 3 US\$ '000</b>	<b>Total US\$ '000</b>
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	3,853	38,291	4,975	47,119
	<b>3,853</b>	<b>38,291</b>	<b>4,975</b>	<b>47,119</b>
<i>31 December 2018 (Audited)</i>				
	<i>Level 1 US\$ '000</i>	<i>Level 2 US\$ '000</i>	<i>Level 3 US\$ '000</i>	<i>Total US\$ '000</i>
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	26,233	38,489	4,975	69,697
	<b>26,233</b>	<b>38,489</b>	<b>4,975</b>	<b>69,697</b>

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

	<b>31 March 2019 (Reviewed) US\$ '000</b>	<b>31 March 2018 (Reviewed) US\$ '000</b>
At 1 January	<b>4,975</b>	4,487
Loss recognised in income statement	-	(2)
	<b>4,975</b>	<b>4,485</b>

**15 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.