

Bank Alkhair B.S.C. (c)

**Condensed consolidated interim financial
information for the quarter and six months
period ended 30 June 2020
(Reviewed)**

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Bank Alkhair B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020 (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 Majed Abdulrahman Alqasem Dr. Ahmed Saleh S. Al Dehailan Khaled Shaheen Saqer Shaheen	- Chairman - Vice Chairman
Audit & Risk Committee	Dr. Ahmed Al Dehailan Majed Abdulrahman Alqasem Khaled Shaheen Saqer Shaheen	- Chairman
Nomination, Remuneration and Governance Committee	Majed Abdulrahman Alqasem Yousef A. S Al Shelash Dr. Nizam Yaqouby	- Chairman
Shari'a Supervisory Board	Dr. Ali Muhyealdin Al-Quradaghi Dr. Mohammad Daud Bakar Dr. Nizam Mohammad Saleh	- Chairman
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	Al Salam Bank Ahli United Bank Bahrain Middle East Bank	
Auditors	BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

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 30 June 2020, 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 quarter and six 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the quarter and six 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 on the basis of preparation of these condensed consolidated interim 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
27 September 2020



Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (Reviewed)

		Reviewed	<i>Audited</i>
		30 June	<i>31 December</i>
		2020	<i>2019</i>
	Notes	US\$ '000	<i>US\$ '000</i>
ASSETS			
Cash and balances with banks		8,412	1,265
Investments	4	65,436	70,778
Investment in associates	5	121,649	122,552
Investments in real estate	6	176,994	184,053
Other assets	7	11,378	10,947
Assets held-for-distribution		277	315
Equipment		149	102
TOTAL ASSETS		384,295	390,012
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions		32,761	32,982
Due to customers		221,776	213,909
Other liabilities	8	17,907	18,753
Liabilities relating to assets held-for-distribution		-	4
Total liabilities		272,444	265,648
Owners' equity			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		167	207
Foreign currency translation reserve		(3,970)	(2,726)
Accumulated losses		(166,009)	(153,535)
Equity attributable to the shareholders of the Bank		38,814	52,572
Non-controlling interests		73,037	71,792
Total owners' equity		111,851	124,364
TOTAL LIABILITIES AND OWNERS' EQUITY		384,295	390,012

These reviewed condensed consolidated interim financial information was approved for issue by the Board of Directors and signed on their behalf by:



Yousef Abdullah Al-Shelash
Chairman



Majid Al Qasem
Vice Chairman

Bank Alkhair B.S.C. (c)
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six month period ended 30 June 2020 (Reviewed)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from non-banking operations		2,144	5,139	5,921	10,032
Fees and commission		-	146	-	451
Net (loss) / income from investments	9	(2,878)	1,344	(5,639)	1,409
Gain on sale of investment in real estate	6	850	-	850	-
Finance income		-	68	-	139
Share of profit from associates, net		1,347	629	729	358
Other income		29	17	69	44
Foreign exchange (loss) / gain		(31)	10	(31)	12
Total income		1,461	7,354	1,899	12,445
Expenses of non-banking operations		1,933	3,466	4,242	6,749
Staff cost		235	523	488	1,918
Finance cost		3,859	3,789	7,608	7,616
Legal and professional expenses		185	125	361	319
Depreciation		4	19	9	86
Premises cost		62	72	147	397
Business development expenses		4	12	19	28
Other operating expense		148	226	223	974
Total expenses		6,430	8,232	13,097	18,087
Loss for the period before impairment provision		(4,969)	(878)	(11,198)	(5,642)
Impairment reversal / (charge)		-	40	-	(9)
(Loss) / profit from assets held for sale and discontinued operations		(31)	944	(31)	808
Net gain on disposal/derecognition of subsidiaries		-	477	-	575
(Loss) / income for the period		(5,000)	583	(11,229)	(4,268)
Attributable to:					
Shareholders of the Bank		(5,522)	(680)	(12,474)	(6,249)
Non-controlling interests		522	1,263	1,245	1,981
		(5,000)	583	(11,229)	(4,268)

These reviewed condensed consolidated interim financial information was approved for issue by the Board of Directors and signed on their behalf by:



Yousef Abdullah Al-Shelash
Chairman



Majid Al Qasem
Vice Chairman

The notes 1 to 16 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 six month period ended 30 June 2020 (Reviewed)

	Equity attributable to the shareholders of the Bank							
	Share capital US\$ '000	Statutory reserve US\$ '000	Investments fair value reserve US\$ '000	Foreign currency translation reserve US\$ '000	Accumulated losses US\$ '000	Total US\$ '000	Non- controlling interests US\$ '000	Total equity US\$ '000
As at 1 January 2020	207,962	664	207	(2,726)	(153,535)	52,572	71,792	124,364
(Loss) / income for the period	-	-	-	-	(12,474)	(12,474)	1,245	(11,229)
Foreign currency translation differences	-	-	-	(3)	-	(3)	-	(3)
Share of changes in reserves of investment in associates	-	-	(40)	(1,241)	-	(1,281)	-	(1,281)
As at 30 June 2020	207,962	664	167	(3,970)	(166,009)	38,814	73,037	111,851
As at 1 January 2019	207,962	664	242	(2,812)	(130,353)	75,703	107,988	183,691
(Loss) / income for the period	-	-	-	-	(6,249)	(6,249)	1,981	(4,268)
Foreign currency translation differences	-	-	-	(6)	-	(6)	-	(6)
Share of changes in reserves of investment in associates	-	-	-	(241)	-	(241)	-	(241)
Adjustment on sale of subsidiary	-	-	-	-	-	-	(39,670)	(39,670)
As at 30 June 2019	207,962	664	242	(3,059)	(136,602)	69,207	70,299	139,506

The notes 1 to 16 form an integral part of these condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2020 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	2020	2019
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Loss for the period	(11,229)	(4,268)
Adjustments for:		
Loss / (gain) on sale of investments	2,761	(220)
Fair value loss / (gain) on investments	2,878	(1,084)
Gain on sale of investment in real estate	(850)	-
Share of profit from associates	(729)	(661)
Depreciation	9	197
Sukuk amortisation	-	3
Impairment charge	-	9
Net gain on disposal/derecognition of subsidiary	-	(575)
	(7,160)	(6,599)
Changes in:		
Financing receivables	-	2,954
Other assets	(397)	(8,015)
Due to financial institutions	-	(5,199)
Due to customers	7,867	(7,595)
Other liabilities	(846)	3,109
Net cash used in operating activities	(536)	(21,345)
INVESTING ACTIVITIES		
(Purchase) / disposal of equipment, net	(56)	214
Proceeds from sale of investments	-	43,666
Purchase of investment securities	(297)	(6,626)
Net proceeds / (purchase) of investments in real estate	7,909	(137)
Dividend received	351	-
Net cash out flow from sale of subsidiary	-	(11,102)
Investment in associates	-	(5,232)
Net cash generated from investing activities	7,907	20,783
FINANCING ACTIVITY		
Repayment of financing liabilities	(221)	(5,821)
Net cash used in financing activity	(221)	(5,821)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7,150	(6,383)
Effect of exchange rate changes on cash and cash equivalents	(3)	(6)
Cash and cash equivalents at the beginning of the period	1,265	8,833
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8,412	2,444
Cash and cash equivalents comprise:		
Cash and balances with banks	8,412	2,418
Placements with financial institutions	-	26
	8,412	2,444

The notes 1 to 16 form an integral part of these condensed consolidated interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (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 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.

These financial statements, set out on pages 4 to 19, were approved and authorised for issue by the Board of Directors on 27 September 2020.

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 period ended 30 June 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

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

As at 30 June 2020, 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 30 June 2020 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 30 June 2020 and 31 December 2019, the Bank owned the following subsidiaries:

Subsidiaries	Ownership for 2020	Ownership for 2019	Year of Incorporation/ acquisition	Country of incorporation
AKIIM Sdn Bhd (formerly Alkhair International Islamic Bank Malaysia Berhad) (Under liquidation)	100%	100%	2004	Malaysia
Alkhair Gayrimenkul Yatirim Ve Ticaret A.S (formerly Alkhair Portfoy Yonetimi)	99.6%	99.6%	2007	Turkey
Al-Tajamouat for Touristic Projects Co Plc	50.6%	50.6%	2013	Jordan

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 2019, 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 2019, 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.

2.3 Standards, amendments, and interpretations effective and adopted in 2020

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2020 and has been adopted in the preparation of these consolidated financial statements:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 30	Impairment, credit losses and onerous commitments	1 January 2020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.3 Standards, amendments, and interpretations effective and adopted in 2020 (continued)****FAS 30 - Impairment, credit losses and onerous commitments**

AAOIFI has issued FAS 30 Impairment, Credit Losses, and onerous commitments in 2017. FAS 30 replaces FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deals with impairment. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions.

The adoption of FAS 30 Impairment, credit losses and onerous commitments from 1 January 2020 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are as set out below. In accordance with the exemptions available as per the transitional provisions in FAS 30, the standard is applied retrospectively, and the comparative figures have not been restated with differences being recorded in opening retained earnings.

The Bank has adopted the FAS 30 and transition amount will have no impact on the equity as at 1 January 2020, as the Bank has already booked adequate provisions against its impaired investments.

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts as at 30 June 2020.

Financial Assets	Stage 1	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000
Balances with banks	8,412	-	8,412
Other assets	9,058	2,269	11,327
Total	17,470	2,269	19,739

2.4**Significant accounting policies and critical accounting judgments, estimates and assumptions****Accounting policies****FAS 30 - Impairment, credit losses and onerous commitments**

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses each of these categories of assets:

1. Credit Losses approach;
2. Net Realisable Value approach; and
3. Impairment approach.

For the purpose of the standard, the assets and exposures shall be categorized, as under:

- a). Assets and exposures subject to credit risk (subject to credit losses approach)
- b). Inventories (subject to net realizable value approach)
- c). Other financing and investment assets and exposures subject to risks other than credit risk (subject to impairment approach), excluding inventories.

Credit losses approach for receivables and off-balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.4 Significant accounting policies and critical accounting judgments, estimates and assumptions**Expected Credit Losses

FAS 30 introduces the credit losses approach with a forward-looking 'Expected Credit Loss' ("ECL") model. The new impairment model will apply to financial assets which are subject to credit risk. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- i. Determining criteria for significant increase in Credit Risk (SICR);
- ii. Choosing appropriate models and assumptions for measurement of ECL;
- iii. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- iv. Establishing benchmark of similar financial assets for the purposes of measuring ECL.

Further, there have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. However, as discussed in Note 14, the effects of COVID-19 have required significant judgments and estimates to be made, including:

- a) Assessing whether the entity has reasonable assurance as to whether it will comply with the conditions attached to government grants; and
- b) Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period').

Additionally, while the changes in the following estimates and judgments have not had a material impact on the Bank, the effects of COVID-19 have required revisions to:

- a) The methodology used to estimate the fair value of equity instruments classified as level 3 in the fair value hierarchy, as their valuation techniques incorporate significant unobservable inputs.

3 SEASONALITY

Due to nature of the Group's business, the six months results reported in the interim condensed consolidated financial statements may not represent a proportionate share of the overall annual results.

4 INVESTMENTS

	<i>Reviewed</i> 30 June 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
Equity type instruments		
At fair value through statement of income		
Equity securities		
- Unquoted	44,473	49,807
Mutual funds		
- Unquoted	20,963	20,971
	65,436	70,778

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

5 INVESTMENT IN ASSOCIATES

	<i>Reviewed</i> 30 June 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
BFC Group Holdings Ltd.	108,594	109,485
T'azur Company B.S.C. (c)	7,695	7,534
Independent Logistics and Warehousing	5,360	5,533
	121,649	122,552

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\$ 40.3 million. The Group's share of the commitment is US\$ 10.4 million.

6 INVESTMENTS IN REAL ESTATE

	<i>Reviewed</i> 30 June 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
Land and building – Jordan	176,994	184,053
	176,994	184,053

Land held by Al-Tajamouat for Touristic Projects Co Plc in Jordan was partially sold during the period and a gain of US\$ 850 thousand was booked on sale.

7 OTHER ASSETS

	<i>Reviewed</i> 30 June 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
Rental income receivable	8,208	8,138
Accounts receivable	213	1,291
Prepayments and advances	1,939	1,199
Fees and expenses recoverable	823	1,059
Others	2,464	1,529
	13,647	13,216
Less: Provision for impairment	(2,269)	(2,269)
	11,378	10,947

8 OTHER LIABILITIES

	<i>Reviewed</i> 30 June 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
Advance rental income	7,331	8,277
Trade and other payables	8,483	8,495
Accruals and other provisions	1,077	771
Staff-related payables	1,016	1,210
	17,907	18,753

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

9 NET (LOSS) / INCOME FROM INVESTMENTS

	<i>Reviewed</i>	
	30 June	30 June
	2020	2019
	US\$ '000	US\$ '000
Fair value (loss) / gain on investments	(2,878)	1,084
(Loss) / gain on sale of investments	(2,761)	205
Sukuk income		
- Sukuk profit	-	105
- Gain/(loss) on sale of sukuks	-	15
	(5,639)	1,409

10 COMMITMENTS AND CONTINGENCIES

	<i>Reviewed</i>	<i>Audited</i>
	30 June	31 December
	2020	2019
	US\$ '000	US\$ '000
Lease commitments	-	66
	-	66

Litigations and claims

One of the investor's filed a civil claim before the Bahraini courts. The first instance court dismissed his claim and refer it to the Bahrain Chamber for Dispute Resolution. The Bank external counsel advised that the claim brought against the Bank is groundless, and the Bank legal position is strong.

An enforcement proceeding for a Bahraini court ruling against the former Chief Executive Officer of the Bank is in progress in Kuwait.

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

11 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>	
	30 June	30 June
	2020	2019
	US\$ '000	US\$ '000
Short term employee benefits	631	1,523
Post-employment benefits	59	272
	690	1,795

Bank Alkhair B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

11 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2020 (Reviewed)				31 December 2019 (Audited)			
	Significant shareholders/entities in which directors have interest		Key management		Associates		Significant shareholders/entities in which directors have interest	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets								
Investment securities	20,963	42,769	-	1,704	20,971	42,769	-	7,037
Investment in associates	121,649	-	-	-	122,552	-	-	-
Other assets	14	-	-	564	59	247	-	1,058
Liabilities								
Due to customers	-	221,776	-	-	-	213,909	-	-
Other liabilities	21	288	1,016	170	41	233	1,084	356
	Six months ended 30 June 2020 (Reviewed)				Six months ended 30 June 2019 (Reviewed)			
	Significant shareholders/entities in which directors have interest		Key management		Associates		Significant shareholders/entities in which directors have interest	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income / (expenses)								
Income / (loss) from investments	(5,639)	-	-	-	1,288	120	-	102
Fees and commission	-	-	-	-	441	-	-	-
Net finance expense	-	(7,608)	-	-	(48)	(7,505)	-	-
Share of income from associates	729	-	-	-	358	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(82)	-	-	-	(80)	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

12 SEGMENT INFORMATION

*For the six months ended 30 June 2020
(Reviewed)*

	<i>Investment Banking US\$ '000</i>	<i>AIIM Sdn Bhd US\$ '000</i>	<i>Total US\$ '000</i>
External revenue			
Net finance (expense) / income	(7,608)	-	(7,608)
Income from investments	(5,639)	-	(5,639)
Gain on sale of investment in real estate	850	-	850
Share of profit from investment in associates	729	-	729
Income from non-banking operations	5,921	-	5,921
Other income	69	-	69
Foreign exchange loss	(31)	-	(31)
Total income	(5,709)	-	(5,709)
Total operating expenses	(5,489)	-	(5,489)
Profit / (loss) from discontinued operations	3	(34)	(31)
Loss for the period	(11,195)	(34)	(11,229)
Investment in associates	121,649	-	121,649
Segment assets	384,067	228	384,295
Segment liabilities	272,444	-	272,444

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

12 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2019 (Reviewed)

	<i>Investment Banking US\$ '000</i>	<i>AIIM Sdn Bhd US\$ '000</i>	<i>Alkhair Capital Saudi Arabia US\$ '000</i>	<i>Total US\$ '000</i>
External revenue				
Net finance (expense) / income	(7,600)	123	-	(7,477)
Income from investments	1,303	106	-	1,409
Fees and commission	441	10	-	451
Share of loss from investment in associates	358	-	-	358
Income from non-banking operations	10,032	-	-	10,032
Other income	35	9	-	44
Foreign exchange (loss) / gain	(1)	13	-	12
Total income	4,568	261	-	4,829
Total operating expenses	(9,265)	(1,206)	-	(10,471)
Reversal of Impairment	-	(9)	-	(9)
Profit from discontinued operations	257	-	551	808
Net gain on sale of subsidiary	575	-	-	575
Loss for the period	(3,865)	(954)	551	(4,268)
As at 31 December 2018				
Investment in associates	122,552	-	-	122,552
Segment assets	389,739	273	-	390,012
Segment liabilities	265,636	12	-	265,648

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

13 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.

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\$ 9.8 million. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

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 30 June 2020 (Reviewed)

13 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:

30 June 2020 (Reviewed)	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	-	20,963	44,473	65,436
	-	20,963	44,473	65,436
31 December 2019 (Audited)				
	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	-	20,971	49,807	70,778
	-	20,971	49,807	70,778

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

	30 June	30 June
	2020	2019
	(Reviewed)	(Reviewed)
	US\$ '000	US\$ '000
At 1 January	49,807	4,975
Loss recognised in income statement	(5,632)	-
Purchases	298	42,769
	44,473	47,744

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

14 SIGNIFICANT EVENTS AND TRANSACTIONS

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on the Group's interim consolidated financial statements for the six months ended 30 June 2020 and are summarised as follows.

Government grants

The Bank applied for government support program introduced in response to the global pandemic. The Bank received a government grant of US\$ 30 thousand relating to supporting the payroll of the Bank's employees. The Bank has elected to present this government grant by reducing the related expense. The Bank had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Bank does not have any unfulfilled obligations relating to this program.

During the period, The Government of Kingdom of Bahrain announced to pay the electricity and water bills for the months of April to June 2020 including fixed administrative fee and municipal fees. The Bank received government support in relation to the municipality fees for the months of April to June 2020 amounting to US\$ 4 thousand. The Bank elected to present this government grant by reducing the related expense.

No other significant impact has been noted by the management on other financial statement areas during the period ended 30 June 2020.

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.

16 SUBSEQUENT EVENTS

There were no significant events subsequent to 30 June 2020 and occurring before the date of signing of the condensed consolidated interim financial information that would have a significant impact on this condensed consolidated interim financial information.