

Bank Alkhair B.S.C. (c)

Condensed consolidated interim financial
information for the quarter and nine months
period ended 30 September 2020
(Reviewed)

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Bank Alkhair B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 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	Unit 1504, Building 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 September 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 nine 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 September 2020, and of its financial performance and its cash flows for the quarter and nine 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
11 November 2020



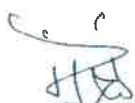
Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (Reviewed)

		<i>Reviewed</i> 30 September 2020 <i>US\$ '000</i>	<i>Audited</i> 31 December 2019 <i>US\$ '000</i>
ASSETS			
Cash and balances with banks		6,372	1,265
Investments	4	65,434	70,778
Investment in associates	5	124,575	122,552
Investments in real estate	6	177,187	184,053
Other assets	7	10,887	10,947
Assets held-for-distribution		240	315
Equipment		145	102
TOTAL ASSETS		384,840	390,012
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions		33,318	32,982
Due to customers	8	226,156	213,909
Other liabilities	9	13,344	18,753
Liabilities relating to assets held-for-distribution		-	4
Total liabilities		272,818	265,648
Owners' equity			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		167	207
Foreign currency translation reserve		(3,374)	(2,726)
Accumulated losses		(167,341)	(153,535)
Equity attributable to the shareholders of the Bank		38,078	52,572
Non-controlling interests		73,944	71,792
Total owners' equity		112,022	124,364
TOTAL LIABILITIES AND OWNERS' EQUITY		384,840	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

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

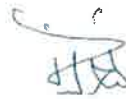
Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2020 (Reviewed)

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from non-banking operations		4,245	4,727	10,166	14,759
Fees and commission		-	-	-	441
Net (loss) / income from investments	10	-	(41)	(5,639)	1,263
Gain on sale of investment in real estate	6	-	-	850	-
Finance income		-	-	-	16
Share of profit from associates, net		2,332	767	3,061	1,125
Other income		6	13	75	48
Foreign exchange loss		-	(6)	(31)	(7)
Total income		6,583	5,460	8,482	17,645
Expenses of non-banking operations		2,405	3,004	6,647	9,753
Staff cost		262	768	750	2,412
Finance cost		3,979	3,658	11,587	11,275
Legal and professional expenses		207	261	568	546
Depreciation		4	19	13	57
Premises cost		42	172	189	313
Business development expenses		-	3	19	25
Other operating expense		72	439	295	774
Total expenses		6,971	8,324	20,068	25,155
Loss for the period before impairment provision		(388)	(2,864)	(11,586)	(7,510)
Impairment reversal		-	1,204	-	1,204
(Loss) / profit from assets held for sale and discontinued operations		(37)	(8)	(68)	(206)
Net gain on disposal/derecognition of subsidiaries		-	-	-	575
Loss for the period		(425)	(1,668)	(11,654)	(5,937)
Attributable to:					
Shareholders of the Bank		(1,332)	(2,517)	(13,806)	(8,767)
Non-controlling interests		907	849	2,152	2,830
		(425)	(1,668)	(11,654)	(5,937)

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 17 form an integral part of these condensed consolidated interim financial information.

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the period ended 30 September 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	-	-	-	-	(13,806)	(13,806)	2,152	(11,654)
Foreign currency translation differences	-	-	-	(3)	-	(3)	-	(3)
Share of changes in reserves of investment in associates	-	-	(40)	(645)	-	(685)	-	(685)
As at 30 September 2020	207,962	664	167	(3,374)	(167,341)	38,078	73,944	112,022
As at 1 January 2019	207,962	664	242	(2,812)	(130,353)	75,703	107,988	183,691
(Loss) / income for the period	-	-	-	-	(8,767)	(8,767)	2,830	(5,937)
Foreign currency translation differences	-	-	-	(4)	-	(4)	-	(4)
Share of changes in reserves of investment in associates	-	-	(35)	(661)	-	(696)	-	(696)
Adjustment on sale of subsidiary	-	-	-	-	-	-	(39,670)	(39,670)
As at 30 September 2019	207,962	664	207	(3,477)	(139,120)	66,236	71,148	137,384

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

For the period ended 30 September 2020 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2020	2019
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Loss for the period	(11,654)	(5,937)
Adjustments for:		
Loss / (gain) on sale of investments	2,761	(220)
Fair value loss / (gain) on investments	2,878	(1,043)
Gain on sale of investment in real estate	(850)	-
Share of profit from associates	(3,061)	(1,428)
Depreciation	13	216
Sukuk amortisation	-	3
Impairment charge	-	(1,204)
Net gain on disposal/derecognition of susidiary	-	(575)
	(9,913)	(10,188)
Changes in:		
Financing receivables	-	4,167
Other assets	132	(6,029)
Due to financial institutions	-	(5,201)
Due to customers	12,247	(5,927)
Other liabilities	(5,408)	3,178
Net cash used in operating activities	(2,942)	(20,000)
INVESTING ACTIVITIES		
(Purchase) / disposal of equipment, net	(56)	212
Proceeds from sale of investments	-	38,444
Purchase of investment securities	(295)	(6,744)
Net proceeds / (purchase) of investments in real estate	7,715	(156)
Dividend received	351	353
Net cash out flow from sale of subsidiary	-	(11,102)
Net cash generated from investing activities	7,715	21,007
FINANCING ACTIVITY		
Increase / (repayment) of financing liabilities	337	(7,760)
Net cash generated / (used) in financing activity	337	(7,760)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	5,110	(6,753)
Effect of exchange rate changes on cash and cash equivalents	(3)	(4)
Cash and cash equivalents at the beginning of the period	1,265	8,833
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6,372	2,076
Cash and cash equivalents comprise:		
Cash and balances with banks	6,372	2,042
Placements with financial institutions	-	34
	6,372	2,076

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 September 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 Bank'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 11 November 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 September 2020.

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

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

Subsidiaries	<i>Ownership for 2020</i>	<i>Ownership for 2019</i>	<i>Year of Incorporation/ acquisition</i>	<i>Country of incorporation</i>
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

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 September 2020.

Financial Assets	Stage 1	Stage 3	Total
	US\$ '000	US\$ '000	US\$ '000
Balances with banks	6,372	-	6,372
Other assets	8,601	2,269	10,870
Total	14,973	2,269	17,242

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.

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 15, 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 nine 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 September 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	20,961	20,971
	65,434	70,778

5 INVESTMENT IN ASSOCIATES

	<i>Reviewed</i> 30 September 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
BFC Group Holdings Ltd.	111,470	109,485
T'azur Company B.S.C. (c)	7,695	7,534
Independent Logistics and Warehousing	5,410	5,533
	124,575	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 September 2020 <i>US\$ '000</i>	<i>Audited</i> 31 December 2019 <i>US\$ '000</i>
Land and building – Jordan	177,187	184,053
	<u>177,187</u>	<u>184,053</u>

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 September 2020 <i>US\$ '000</i>	<i>Audited</i> 31 December 2019 <i>US\$ '000</i>
Rental income receivable	8,203	8,138
Accounts receivable	213	924
Prepayments and advances	1,461	1,199
Fees and expenses recoverable	777	1,059
Others	2,502	1,896
	<u>13,156</u>	<u>13,216</u>
Less: Provision for impairment	(2,269)	(2,269)
	<u>10,887</u>	<u>10,947</u>

8 DUE TO CUSTOMERS

This included deposits from a corporate customer but during the third quarter of 2020, the deposits were converted to loan based on a murabaha agreement. Profit rate for murabaha loan is 7% maturing on 10th March 2021 and is secured against Bank's assets.

9 OTHER LIABILITIES

	<i>Reviewed</i> 30 September 2020 <i>US\$ '000</i>	<i>Audited</i> 31 December 2019 <i>US\$ '000</i>
Advance rental income	6,836	8,277
Trade and other payables	4,536	8,495
Accruals and other provisions	936	771
Staff-related payables	1,036	1,210
	<u>13,344</u>	<u>18,753</u>

10 NET (LOSS) / INCOME FROM INVESTMENTS

	<u>Three months ended (Reviewed)</u> 30 September		<u>Nine months ended (Reviewed)</u> 30 September	
	2020 <i>US\$ '000</i>	2019 <i>US\$ '000</i>	2020 <i>US\$ '000</i>	2019 <i>US\$ '000</i>
Fair value (loss) / gain on investments	-	(41)	(2,878)	1,043
(Loss) / gain on sale of investments	-	-	(2,761)	205
Gain on sale of sukuk	-	-	-	15
	<u>-</u>	<u>(41)</u>	<u>(5,639)</u>	<u>1,263</u>

11 COMMITMENTS AND CONTINGENCIES

	<i>Reviewed</i> 30 September 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
Lease commitments	111	132
	111	132

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.

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:

	<u>Three months ended (Reviewed)</u>		<u>Nine months ended (Reviewed)</u>	
	<u>30 September</u>		<u>30 September</u>	
	2020	2019	2020	2019
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Short term employee benefits	320	384	951	1,907
Post-employment benefits	29	22	88	294
	349	406	1,039	2,201

Bank Alkhair B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

12 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2020 (Reviewed)		31 December 2019 (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
Assets								
Investment securities	20,961	42,769	-	1,704	20,971	42,769	-	7,037
Investment in associates	124,575	-	-	-	122,552	-	-	-
Other assets	-	-	-	523	59	247	-	1,058
Liabilities								
Due to customers	-	226,155	-	-	-	213,909	-	-
Other liabilities	44	317	1,039	190	41	233	1,084	356
	Nine months ended 30 September 2020 (Reviewed)		Nine months ended 30 September 2019 (Reviewed)					
	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
Income / (expenses)								
(Loss) / income from investments	(5,639)	-	-	-	1,248	120	-	-
Fees and commission	-	-	-	-	441	-	-	-
Net finance expense	-	(11,587)	-	-	(48)	(11,172)	-	-
Share of income from associates	3,061	-	-	-	1,125	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(121)	-	-	-	(160)	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

13 SEGMENT INFORMATION

*For the Nine months ended 30
September 2020 (Reviewed)*

	<i>Investment Banking US\$ '000</i>	<i>AKIIM Sdn Bhd US\$ '000</i>	<i>Total US\$ '000</i>
External revenue			
Net finance (expense) / income	(11,587)	-	(11,587)
Loss from investments	(5,639)	-	(5,639)
Gain on sale of investment in real estate	850	-	850
Share of profit from investment in associates	3,061	-	3,061
Income from non-banking operations	10,166	-	10,166
Other income	75	-	75
Foreign exchange loss	(31)	-	(31)
Total loss	(3,105)	-	(3,105)
Total operating expenses	(8,481)	-	(8,481)
Profit / (loss) from discontinued operations	3	(71)	(68)
Loss for the period	(11,583)	(71)	(11,654)
Investment in associates	124,575	-	124,575
Segment assets	384,650	190	384,840
Segment liabilities	272,818	-	272,818

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

13 SEGMENT INFORMATION (continued)

For the Nine months ended 30 September 2019
(Reviewed)

	<i>Investment Banking US\$ '000</i>	<i>AKIIM Sdn Bhd US\$ '000</i>	<i>Alkhair Capital Saudi Arabia US\$ '000</i>	<i>Total US\$ '000</i>
External revenue				
Net finance (expense) / income	(11,259)	-	-	(11,259)
Income from investments	1,263	-	-	1,263
Fees and commission	441	-	-	441
Share of loss from investment in associates	1,125	-	-	1,125
Income from non-banking operations	14,759	-	-	14,759
Other income	48	-	-	48
Foreign exchange (loss) / gain	(7)	-	-	(7)
Total income	6,370	-	-	6,370
Total operating expenses	(13,880)	-	-	(13,880)
Reversal of Impairment	1,204	-	-	1,204
Profit from discontinued operations	201	(957)	550	(206)
Net gain on sale of subsidiary	575	-	-	575
Loss for the period	(5,530)	(957)	550	(5,937)
As at 31 December 2019				
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 September 2020 (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.

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 September 2020 (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:

30 September 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	-	20,961	44,473	65,434
	-	20,961	44,473	65,434
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 September	30 September
	2020	2019
	(Reviewed)	(Reviewed)
	US\$ '000	US\$ '000
At 1 January	49,807	4,975
Loss recognised in income statement	(5,632)	-
Purchases/ reclassified	298	42,885
	44,473	47,860

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2020 (Reviewed)

15 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 nine months ended 30 September 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 September 2020.

16 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.

17 SUBSEQUENT EVENTS

There were no significant events subsequent to 30 September 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.