

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

Condensed consolidated interim  
financial information for the quarter  
and three months period ended  
31 March 2021 (Reviewed)

<b>CONTENTS</b>	<b>Page</b>
Administration and contact details	2
Review report by the independent auditor	3
<b>Condensed consolidated interim financial information</b>	
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of income	5
Condensed consolidated interim statement of changes in owners' equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 - 21

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

### CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION for the quarter and three months period ended 31 March 2021

<b>Commercial registration no.</b>	53462-1 obtained on 29 April 2004	
<b>CBB Licence no.</b>	WB/050 obtained on 6 January 2004	
<b>Board of Directors</b>	Yousef A. S Al Shelash Majed Abdulrahman Alqasem Dr. Ahmed Saleh S. Al Dehailan Khaled Shaheen Saqer Shaheen	- Chairman - Vice Chairman
<b>Audit &amp; Risk Committee</b>	Khaled Shaheen Saqer Shaheen Majed Abdulrahman Alqasem Dr. Ahmed Saleh S. Al Dehailan	- Chairman
<b>Shari'a Supervisory Board</b>	Dr. Nizam Mohammad Saleh Dr. Ali Muhyealdin Al-Quradaghi Dr. Mohammad Daud Bakar	- Chairman - Vice Chairman
<b>Registered office</b>	Flat No. 2601, Building No. 1459 Road No. 4626, Block No. 346 Manama Sea Front PO Box 31700 Kingdom of Bahrain	
<b>Principal bankers</b>	Al Salam Bank Ahli United Bank Bahrain Middle East Bank	
<b>Auditors</b>	BDO 17 <sup>th</sup> 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 31 March 2021, 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 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.

### 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 31 March 2021, and of its financial performance and its cash flows for the quarter and 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 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.

### Other Matter

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of condensed consolidated interim financial information for the three months period ended 31 March 2020. We have not reviewed the comparative interim financial information for the three months period ended 31 March 2020 presented in this condensed consolidated interim financial information which has been extracted from management accounts of the Group and, we do not express any review conclusion on them.



Manama, Kingdom of Bahrain  
10 May 2021

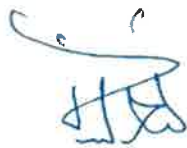


Bank Alkhair B.S.C. (c)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
 FINANCIAL POSITION

As at 31 March 2021

		<b>31 March 2021</b>	<b>31 December 2020</b>
	<i>Notes</i>	<b>US\$ '000 (Reviewed)</b>	<b>US\$ '000 (Audited)</b>
<b>ASSETS</b>			
Cash and balances with banks	4	6,723	9,298
Financing receivables	5	-	782
Investments	6	63,596	63,596
Investment in associates	7	127,074	126,978
Investment in real estate	8	177,059	177,059
Other assets	9	12,145	12,340
Assets held-for-distribution		257	1,878
Equipment		103	38
<b>TOTAL ASSETS</b>		<b>386,957</b>	<b>391,969</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to financial institutions and customers	10	262,571	264,596
Other liabilities	11	11,380	11,697
<b>Total liabilities</b>		<b>273,951</b>	<b>276,293</b>
<b>Owners' equity</b>			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		179	179
Foreign currency translation reserve		(2,470)	(2,470)
Accumulated losses		(168,332)	(164,911)
<b>Equity attributable to shareholders of the Bank</b>		<b>38,003</b>	<b>41,424</b>
Non-controlling interests		75,003	74,252
<b>Total owners' equity</b>		<b>113,006</b>	<b>115,676</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>386,957</b>	<b>391,969</b>



Yousef Abdullah Al-Shelash  
 Chairman



Majid Al Qasem  
 Vice Chairman

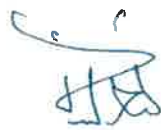
The attached notes 1 to 18 form part of these condensed consolidated interim financial information

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME**

For the quarter and three months period ended 31 March 2021

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 March 2020 US\$ '000 (Unreviewed)</b>
Income from non-banking operations	3,907	3,777
Other income	125	40
Share of profit from associates	96	-
<b>Total income</b>	<b>4,128</b>	<b>3,817</b>
Expenses of non-banking operations	2,384	2,309
Finance expense	3,975	3,749
Loss from investments - net	-	2,761
Share of loss from associates - net	-	618
Staff cost	281	253
General and administrative expenses	254	351
Depreciation	4	5
<b>Total expenses</b>	<b>6,898</b>	<b>10,046</b>
<b>Loss for the period</b>	<b>(2,770)</b>	<b>(6,229)</b>
Income from assets held for distribution and discontinued operations	100	-
<b>Net loss for the period</b>	<b>(2,670)</b>	<b>(6,229)</b>
Attributable to:		
Shareholders of the Bank	(3,421)	(6,952)
Non-controlling interests	751	723
	<b>(2,670)</b>	<b>(6,229)</b>



Yousef Abdullah Al-Shelash  
Chairman



Majid Al Qasem  
Vice Chairman

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNER'S EQUITY**

For the quarter and three months period ended 31 March 2021

	Attributable to owners of the Bank							
	Share capital US\$ '000	Statutory reserve US\$ '000	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
<b>As at 1 January 2021 (Audited)</b>	<b>207,962</b>	<b>664</b>	<b>179</b>	<b>(2,470)</b>	<b>(164,911)</b>	<b>41,424</b>	<b>74,252</b>	<b>115,676</b>
Net (loss) / profit for the period	-	-	-	-	(3,421)	(3,421)	751	(2,670)
<b>As at 31 March 2021 (Reviewed)</b>	<b>207,962</b>	<b>664</b>	<b>179</b>	<b>(2,470)</b>	<b>(168,332)</b>	<b>38,003</b>	<b>75,003</b>	<b>113,006</b>
As at 1 January 2020 (Audited)	207,962	664	207	(2,726)	(153,535)	52,572	71,792	124,364
Net (loss) / profit for the period	-	-	-	-	(6,952)	(6,952)	723	(6,229)
As at 31 March 2020 (Unreviewed)	207,962	664	207	(2,726)	(160,487)	45,620	72,515	118,135

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

For the quarter and three months period ended 31 March 2021

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 March 2020 US\$ '000 (Unreviewed)</b>
Loss for the year	(2,670)	(6,229)
Adjustments for:		
Share of (profit) / loss from associates - net	(96)	618
Depreciation	4	5
	<b>(2,762)</b>	<b>(5,606)</b>
Changes in:		
Financing receivables	782	2,762
Other assets	195	(2,584)
Due to financial institutions and customers	(2,025)	3,124
Asset held for distribution	1,621	-
Other liabilities	(317)	1,504
	<b>(2,506)</b>	<b>(800)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment - net	(69)	(66)
Changes in investment property	-	(11)
Dividend received	-	353
Net cash from investing activities	<b>(69)</b>	<b>276</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>(2,575)</b>	<b>(524)</b>
Effect of exchange rate changes on cash and cash equivalents	-	(4)
Cash and cash equivalents at the beginning of the period	<b>9,298</b>	<b>1,265</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6,723</b>	<b>737</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and balances with banks	<b>6,723</b>	<b>737</b>

The attached notes 1 to 18 form part of these condensed consolidated interim financial information



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

### SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

#### 1 CORPORATE INFORMATION AND ACTIVITIES

##### a) Incorporation

Bank Alkhair B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration No. 53462 on 29 April 2004 and operates under a wholesale Islamic banking license granted by the Central Bank of Bahrain (CBB). The Bank's registered office is at the 15th floor, West Tower Bahrain Financial Harbour, Building No. 1459, Road No. 4626, Manama Sea Front 346, Kingdom of Bahrain.

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. The appropriate application was submitted with the CBB and is in process.

##### b) Activities

The Bank and its subsidiaries (together referred to as "the Group") are in the process of restructuring and converting to a holding company as approved by its shareholders. During the year ended 31 December 2020, based on the CBB letter dated May 17, 2020 the bank has exited out of the Bodrum Project in Turkey and completed the liquidation of its Private Equity fund. The liquidation of the Strategic Acquisition Fund has been initiated and it currently with the liquidator. The Bank is not currently carrying out any regulated activities.

These condensed consolidated interim financial information, set out on pages 4 to 21, were approved and authorised for issue by the Board of Directors on 10 May 2021.

#### 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 quarter and three months period ended 31 March 2021.

##### Going concern

As at 31 March 2021, 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 as evidenced by the sale of the Bodrum project in Turkey 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 the consolidated financial statements.

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. The fact was conveyed to the shareholders during the last annual general meeting of the Bank held on 10 May 2018.

The following are the principal subsidiaries of the Bank, which are consolidated in these condensed consolidated interim financial information:

	<i>Ownership for 2021</i>	<i>Ownership for 2020</i>	<i>Year of incorporation/ acquisition</i>	<i>Country of incorporation</i>
<b>Subsidiaries</b>				
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

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

### SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.2 Significant accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group audited consolidated financial statements as at and for the year ended 31 December 2020, except for adoption of following standards and amendments to standards effective from 1 January 2021. Adoption of these standards and amendments did not result in changes to previously reported net profit or equity of the Group, however it has resulted in additional disclosures.

## 3 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

### Standards, amendments and interpretations effective and adopted in 2021

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 2021 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 32	Ijarah	01-Jan-21

#### *FAS 32 Ijarah*

FAS 32 sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic financial institutions as a lessor and lessee.

The Group has applied FAS 32 "Ijarah" from 1 January 2021. The impact of adoption of this standard is disclosed in (b) below.

#### (a) Change in accounting policy

##### *Identifying an Ijarah*

At inception of a contract, the Bank assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration. For Ijarah contracts with multiple components, the Bank accounts for each Ijarah component within a contract separately from non-Ijarah components of the contract (e.g. service fee, maintenance charges, toll manufacturing charges etc.).

##### *Measurement*

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Bank allocates the consideration in the contract to each Ijarah component on the basis of relative stand-alone price of the Ijarah component and the aggregate estimated stand-alone price of the non-Ijarah components, that may be charged by the lessor, or a similar supplier, to the lessee.

At the commencement date, a lessee shall recognise a right-of-use (usufruct) asset and a net Ijarah liability.

#### i) Right-of-use (usufruct) asset

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- The prime cost of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah), the prime cost at commencement date may be estimated based on the fair value of the total consideration paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction. As per the group's assessment, at the time of implementation the fair value of right-of-use assets are equal to the net Ijarah liability.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

The Bank amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

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

### SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

#### Standards, amendments and interpretations effective and adopted in 2021 (continued)

##### FAS 32 Ijarah (continued)

###### i) Right-of-use (usufruct) asset (continued)

The Bank determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- Extension periods if it is reasonably certain that the Bank will exercise that option; and/ or
- Termination options if it is reasonably certain that The Bank will not exercise that option.

The Bank carries out impairment assessment in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments" to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

###### ii) Net Ijarah liability

The net Ijarah liability comprises of the gross Ijarah liability, plus deferred Ijarah cost (shown as a contra-liability).

The gross Ijarah liability are initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprise of the following payments for the right to use the underlying asset during the Ijarah term:

- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

Advance rentals paid are netted-off with the gross Ijarah liability.

Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintenance. As of 31 March 2021, the Bank did not have any contracts with variable or supplementary rentals.

After the commencement date, the Bank measures the net Ijarah liability by:

- Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or to reflect revised Ijarah rentals.

The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method. After the commencement date, the Bank recognises the following in the income statement:

- Amortisation of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur

##### Ijarah contract modifications

After the commencement date, the Bank accounts for Ijarah contract modifications as follows:

- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: Recalculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of-use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset.

For modifications not meeting any of the conditions stated above, the Bank considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Bank recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

##### Expenses relating to underlying asset

Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Bank, are recognised by the Bank in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

**Bank Alkhair B.S.C. (c)****SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the quarter and three months period ended 31 March 2021

**Standards, amendments and interpretations effective and adopted in 2021 (continued)**

FAS 32 Ijarah (continued)

*Recognition exemptions and simplified accounting for the lessee*

The Group has elected not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and net Ijarah liability for the following:

- Short-term Ijarah; and
- Ijarah for which The underlying asset is of low value.

Short-term Ijarah exemption is applied on a whole class of underlying assets which have similar characteristics and operational utility. However, low-value Ijarah exemption is applied on an individual asset! Ijarah transaction, and not on group/ combination basis.

**(b) Impact on adoption of FAS 32**

The management of the Bank has decided to apply FAS 32 using the modified retrospective approach (i.e. the impact of all the Ijarah contracts outstanding as at 31 December 2020 are reflected in the balances as of 1 January 2021) and therefore comparative information has not been restated. The impact of adoption of FAS 32 as at 1 January 2021 has resulted in an increase in right-of-use asset and an increase in net Ijarah liability by USD 146 thousand. The lease contracts comprise of the premises of the building and car park.

	<b>Total Assets</b> <i>US\$ '000</i>	<b>Total liabilities</b> <i>US\$ '000</i>
Closing balance (31 December 2020)	<b>391,969</b>	<b>276,293</b>
<i>Impact on adoption:</i>		
Right-of-use asset	<b>146</b>	<b>-</b>
Net Ijarah liability	<b>-</b>	<b>146</b>
<b>Opening balance under FAS 32 on date of initial application of 1 January 2021</b>	<b><u>392,115</u></b>	<b><u>276,439</u></b>

**Standards, amendments and interpretations issued and effective in 2021 but not relevant**

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2021 or subsequent periods, but is not relevant to the Group's operations:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
FAS 31	Investment agency (Al-Wakala Bi Al-Istithmar)	01-Jan-21
FAS 33	Investments in Sukuk, shares and similar instruments'	01-Jan-21
FAS 34	Financial reporting for sukuk-holders	01-Jan-21
FAS 35	Risk reserves	01-Jan-21
FAS 38	Wa'ad, khiyar and tahawwut	01-Jan-22

**Early adoption of amendments or standards in 2021**

The Group did not early-adopt any new or amended standards in 2021. There would have been no change in the operational results of the Group for the period ended 31 March 2021 had the Group early adopted any of the above standards applicable to the Group.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

**4 CASH AND BALANCES WITH BANKS**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
Cash in hand	2	3
Balances with banks	6,721	9,295
	<u>6,723</u>	<u>9,298</u>

**5 FINANCING RECEIVABLES**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
Murabaha receivables	-	-
Add: Reversal of impairment allowance	-	782
	<u>-</u>	<u>782</u>

Financing receivables comprised due from customers under murabaha financing contract and were fully provided for in the prior years. However, in the year ended 31 December 2020, the impairment allowance had reversed. The funds have been received in the current period.

**6 INVESTMENTS**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
<b>Equity-type instruments:</b>		
At fair value through statement of income		
Equity securities		
- Unquoted	42,768	42,768
Total equity securities	<u>42,768</u>	<u>42,768</u>
Mutual funds		
- Unquoted	20,828	20,828
Total mutual funds	<u>20,828</u>	<u>20,828</u>
Total fair value through statement of income	<u>63,596</u>	<u>63,596</u>

**7 INVESTMENT IN ASSOCIATES**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
BFC Group Holdings Ltd.	113,666	113,666
T'azur Company B.S.C. (c) (note 7.1)	7,789	7,789
Independent Logistics and Warehousing Company	5,619	5,523
	<u>127,074</u>	<u>126,978</u>

**Note 7.1**

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\$ 38.185 million at 31 March 2021 (31 December 2020: US\$ 38.185 million) and the Group's share of the commitment is US\$ 9.784 million (31 December 2020: US\$ 9.784 million).

## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

**8 INVESTMENT IN REAL ESTATE**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
Land and building - Jordan	<u>177,059</u>	<u>177,059</u>
	<u><b>177,059</b></u>	<u><b>177,059</b></u>

**9 OTHER ASSETS**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
Rental income receivable	11,583	8,521
Accounts receivable	1,995	1,986
Prepayments and advances	140	135
Fees and expenses receivable	-	3,403
Right-of-use asset (note 9.1)	132	-
Others	193	193
	<u>14,043</u>	<u>14,238</u>
Less: Provision for impairment	<u>(1,898)</u>	<u>(1,898)</u>
	<u><b>12,145</b></u>	<u><b>12,340</b></u>

**Note 9.1 RIGHT-OF-USE ASSET**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>
Recognition of right-of-use assets on initial application of FAS 32	146
Amortisation charge for the period	(14)
<b>Balance as at 31 March</b>	<u><b>132</b></u>

**10 DUE TO FINANCIAL INSTITUTIONS AND CUSTOMERS**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
Due to customers	229,527	231,552
Bank financing	33,044	33,044
	<u>262,571</u>	<u>264,596</u>

Due to customers included deposits on wakala basis with maturities ranging from 2 to 6 months from a corporate customers carried an average profit rate of 7% per annum and is secured against the Bank's assets.

**11 OTHER LIABILITIES**

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 December 2020 US\$ '000 (Audited)</b>
Advance rental income	8,788	7,448
Trade and other payables	1,668	2,907
Accruals and other provisions	486	518
Net ijarah liability (note 11.1)	133	-
Staff-related payables	305	824
	<u>11,380</u>	<u>11,697</u>

## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

## 11 OTHER LIABILITIES (continued)

## Note 11.1 NET IJARAH LIABILITY

	<b>31 March 2021 US\$ '000 (Reviewed)</b>
Maturity analysis — Gross Ijarah liability	
Less than one year	60
More than one year	85
<b>Total gross Ijarah liability</b>	<b>144</b>
Maturity analysis — Net Ijarah liability	
Less than one year	52
More than one year	81
<b>Total net Ijarah liability</b>	<b>133</b>

## 12 INCOME FROM NON-BANKING OPERATIONS - NET

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 March 2020 US\$ '000 (Unreviewed)</b>
Income from Al-Tajamouat for Touristic Projects Co Pie	3,907	3,777
Total Income	3,907	3,777
Expenses of Al-Tajamouat for Touristic Projects Co Pie	(2,384)	(2,309)
Total Expenses	(2,384)	(2,309)
<b>Income from non-banking operations - net</b>	<b>1,523</b>	<b>1,468</b>

## 13 COMMITMENTS AND CONTINGENCIES

**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. The Bahraini Courts have ruled in favour of the Group in a number of the civil and criminal cases. Currently these rulings are being enforced in Kuwait, where the former Chief Executive Officer resides.

The Group's share of commitments arising from its associates is disclosed in note 7.

## 14 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include significant shareholders and entities over which the Bank and shareholders exercise significant influence, directors, members of Sharia 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:

	<b>31 March 2021 US\$ '000 (Reviewed)</b>	<b>31 March 2020 US\$ '000 (Unreviewed)</b>
Short term employee benefits	424	315
Post-employment benefits	20	29
	<b>444</b>	<b>344</b>





## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

## 15 SEGMENT INFORMATION

	<i>For the three months ended 31 March 2021 (Reviewed)</i>		
	<i>Investment Banking US\$ '000</i>	<i>AJIM Sdn Bhd US\$ '000</i>	<i>Total US\$ '000</i>
Net finance expense	(3,975)	-	(3,975)
Income from non-banking operations	3,907	-	3,907
Other income	125	-	125
Share of Income from investment in associates	96	-	96
Total income	<b>153</b>	<b>-</b>	<b>153</b>
Total operating expenses	2,923	-	2,923
Income from discontinued operations	-	100	100
(Loss) / Income for the period	<b>(2,770)</b>	<b>100</b>	<b>(2,670)</b>
Investment in associates	127,074	-	127,074
Segment assets	386,700	257	386,957
Segment liabilities	273,951	-	273,951

---

**SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the quarter and three months period ended 31 March 2021

**15 SEGMENT INFORMATION (continued)**

*For the three months ended 31 March  
2020 (Unreviewed)*

---

	<i>Investment Banking US\$ '000</i>	<i>AIIM Sdn Bhd US\$ '000</i>	<i>Total US\$ '000</i>
Net finance expense	(3,749)	-	(3,749)
Loss from investments	(2,761)	-	(2,761)
Share of loss from investment in associates	(618)	-	(618)
Income from non-banking operations	3,777	-	3,777
Other income	40	-	40
Total income	<u>(3,311)</u>	<u>-</u>	<u>(3,311)</u>
Total operating expenses	(2,918)	-	(2,918)
Loss for the period	<u>(6,229)</u>	<u>-</u>	<u>(6,229)</u>
Investment in associates	<u>122,200</u>	<u>-</u>	<u>122,200</u>
Segment assets	<u>388,713</u>	<u>315</u>	<u>389,028</u>
Segment liabilities	<u>270,272</u>	<u>4</u>	<u>270,276</u>

---

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

**16 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\$ 9.5 million. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

*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.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

**16 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 2021 (Reviewed)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	-	20,828	42,768	63,596
	<b>-</b>	<b>20,828</b>	<b>42,768</b>	<b>63,596</b>
<b>31 December 2020 (Audited)</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	-	20,828	42,768	63,596
	<b>-</b>	<b>20,828</b>	<b>42,768</b>	<b>63,596</b>

**17 SUBSEQUENT EVENTS**

There were no significant events subsequent to 31 March 2021 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.

**18 NET STABLE FUNDING RATIO**

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items and promotes funding stability.

The NSFR is calculated in accordance with the Liquidity Risk Management Module guidelines issued by CBB and its effective from 31 December 2019. The minimum NSFR ratio as per CBB is 80%.

Bank Alkhair B.S.C. (c)

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

18 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 March 2021 is calculated as follows:

Item	Unweighted Values (before applying factors)				US\$ '000
	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>					
Regulatory Capital	145,490	-	-	-	-
Other Capital Instruments	-	-	-	-	-
<b>Retail deposits and deposits from small business customers:</b>					
Stable deposits	-	-	-	-	-
Less stable deposits	-	-	-	-	-
<b>Wholesale funding:</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	231,176	1,649	29,746	145,196
<b>Other liabilities:</b>					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	11,380	-	-	-
<b>Total ASF</b>	<b>145,490</b>	<b>242,556</b>	<b>1,649</b>	<b>29,746</b>	<b>145,196</b>
<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	6,723	-	-	-	-
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
<b>Performing financing and sukuk/securities:</b>					
Performing financing to financial institutions secured by Level 1 HQLA					
	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions					
	-	-	-	-	-
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
	-	-	-	-	-
- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
<b>Performing residential mortgages, of which:</b>					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities					
	-	-	-	-	-
<b>Other assets:</b>					
Physical traded commodities, including gold					
	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs					
	-	-	-	-	-
NSFR Shari'a-compliant hedging assets					
	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted					
	-	-	-	-	-
All other assets not included in the above categories	380,234	-	-	-	380,234
OBS items	-	-	-	-	-
<b>Total RSF</b>	<b>386,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380,234</b>
<b>NSFR (%)</b>					<b>38%</b>

Bank Alkhair B.S.C. (c)

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the quarter and three months period ended 31 March 2021

18 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 December 2020 is calculated as follows:

Item	Unweighted Values (before applying factors)				US\$ '000 Total Weighted Value
	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>					
Regulatory Capital	140,297	-	-	-	-
Other Capital Instruments	-	-	-	-	-
<b>Retail deposits and deposits from small business customers:</b>					
Stable deposits	-	-	-	-	-
Less stable deposits	-	-	-	-	-
<b>Wholesale funding:</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	232,377	1,649	30,570	147,031
<b>Other liabilities:</b>					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	11,697	-	-	-
<b>Total ASF</b>	<b>140,297</b>	<b>244,074</b>	<b>1,649</b>	<b>30,570</b>	<b>147,031</b>
<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	9,298	-	-	-	-
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
<b>Performing financing and sukuk/securities:</b>					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	-	-	-	-
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	-	-	-	-
- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
<b>Performing residential mortgages, of which:</b>					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
<b>Other assets:</b>					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	381,889	-	-	-	381,889
OBS items	-	-	-	-	-
<b>Total RSF</b>	<b>391,187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,889</b>
<b>NSFR (%)</b>					<b>39%</b>