

BANK ALKHAIR B.S.C. (c)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 SEPTEMBER 2015

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	26 th Floor, West Tower, Bahrain Financial Harbour Building No. 1459, Road 4626, Manama, Sea Front 346 PO Box 31700, Manama, Kingdom of Bahrain
Directors	:	Yousef Abdullah AlShelash, <i>Chairman</i> Hethloul Saleh AlHethloul Abdullatif Abdullah AlShalash Ayman Ismail Abudawood Abdulaziz Naif Al Orayer Ahmed Saleh Dehailan Khaled Shaheen Saqer Shaheen Khaled Abdulla Mohammed Ateeq Abdullah Ali Al Dubaikhi Majed Abdulrahman Al Qasem Sultan Abdulrahman Abaikheel Abdulrazaq Mohamed Al Wohaib Ali Saleh Al Othaim Khalid Mohamed Abdulrahim Hamad Abdulrazaq Al-Turkait
Group Chief Executive Officer	:	Ayman Sejiny
Auditors	:	KPMG Fakhro

BANK ALKHAIR B.S.C. (c)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015**

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To
The Board of Directors
Bank Alkhair B.S.C. (c)
Seef
Kingdom of Bahrain

12 November 2015

Introduction

We have reviewed the accompanying 30 September 2015 condensed consolidated interim financial information of Bank Alkhair B.S.C. (c) (the "Bank") and its subsidiaries (the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2015;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2015;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2015;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2015;
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 2 to the condensed consolidated interim financial information which discusses certain matters relating to the Group's liquidity position and regulatory capital adequacy requirements, implications of these matters for the basis of preparation of this condensed consolidated interim financial information and management's action plans to deal with these matters.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2015

US\$ 000's

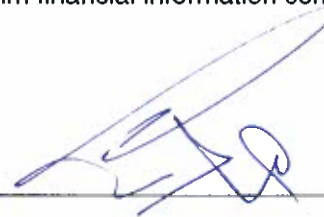
	note	30 September 2015 (reviewed)	31 December 2014 (audited)
ASSETS			
Cash and balances with banks		15,809	22,510
Placements with financial institutions		8,934	42,250
Financing receivables	6	75,171	9,151
Investment securities	7	75,544	85,323
Assets held-for-sale	8	15,589	15,082
Equity-accounted investees	9	124,637	121,974
Investment property	10	251,180	254,109
Other assets	11	23,533	12,986
Equipment		2,362	1,598
TOTAL ASSETS		592,759	564,983
LIABILITIES AND EQUITY			
LIABILITIES			
Placement from financial institutions		48,627	34,613
Financing liabilities		64,023	72,374
Due to customers		231,555	197,552
Liabilities related to assets held-for-sale	8	1,888	1,374
Other liabilities	12	35,470	31,625
TOTAL LIABILITIES		381,563	337,538
EQUITY			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		(230)	(185)
Foreign currency translation reserve		(15,224)	(13,333)
Accumulated losses		(69,112)	(53,452)
Equity attributable to the shareholders of the Bank		124,060	141,656
Non-controlling interests		82,421	80,975
Non-controlling interests related to assets held-for-sale		4,715	4,814
TOTAL EQUITY (page 4)		211,196	227,445
TOTAL LIABILITIES AND EQUITY		592,759	564,983

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 19 on 12 November 2015.



Yousef Abdullah Al-Shelash

Chairman



Hethloul Saleh Al-Hethloul

Board Member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2015

US\$ 000's

	note	Nine months ended		Three months ended	
		30 September 2015 (reviewed)	30 September 2014 (reviewed) (restated – Note 3)	30 September 2015 (reviewed)	30 September 2014 (reviewed) (restated – note 3)
Continuing operations					
Finance income		3,236	1,927	1,366	545
Income from investment securities	13	(2,529)	8,195	(1,563)	2,372
Fees and commission		3,833	4,068	1,252	1,272
Share of profit of equity-accounted investees, net		4,013	3,912	1,347	1,614
Income from real estate operations		17,809	17,480	6,165	5,857
Rental income		2,520	2,541	853	847
Other income		4	422	(456)	278
Total income		28,886	38,545	8,964	12,785
Staff cost		11,747	9,758	4,468	2,944
Finance expense		8,205	7,063	3,072	2,324
Legal and professional expenses		2,880	1,933	212	249
Premises cost		1,064	1,092	297	444
Expenses of real estate operations		11,897	12,693	4,185	3,969
Depreciation		3,493	3,494	1,111	1,164
Other operating expense		3,307	3,439	1,022	1,116
Total expenses		42,593	39,472	14,367	12,210
(Loss) / profit for the period before Zakah and impairment provision		(13,707)	(927)	(5,403)	575
Impairment allowance		(339)	(3,500)	(207)	-
(Loss) / profit for the period from continuing operations		(14,046)	(4,427)	(5,610)	575
Loss for the period from assets held-for-sale and discontinued operations		(205)	(945)	(92)	(626)
Loss for the period		(14,251)	(5,372)	(5,702)	(51)
Attributable to:					
Shareholders of the Bank		(15,660)	(7,547)	(5,792)	(1,092)
Non-controlling interests		1,508	2,535	135	1,280
Non-controlling interests relating to assets held-for-sale		(99)	(360)	(45)	(239)
		(14,251)	(5,372)	(5,702)	(51)

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2015

US\$ 000's

	Attributable to the shareholders of the Bank						Non-controlling interests related to assets held-for-sale	Total equity	
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Accumulated losses	Total			
30 September 2015 (reviewed)									
As at 1 January 2015	207,962	664	(185)	(13,333)	(53,452)	141,656	80,975	4,814	227,445
(Loss) / profit for the period (page 3)	-	-	-	-	(15,660)	(15,660)	1,508	(99)	(14,251)
Foreign currency translation differences	-	-	-	(444)	-	(444)	(62)	-	(506)
Share of changes in reserves of equity-accounted investees	-	-	(45)	(1,447)	-	(1,492)	-	-	(1,492)
Total recognised income and expense for the period	-	-	(45)	(1,891)	(15,660)	(17,596)	1,446	(99)	(16,249)
As at 30 September 2015	207,962	664	(230)	(15,224)	(69,112)	124,060	82,421	4,715	211,196

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2015 (continued)

US\$ 000's

	Attributable to the shareholders of the Bank						Non-controlling interests related to assets held-for-sale	Total Equity
	Share capital	Statutory reserve	Investments fair value Reserve	Foreign currency translation reserve	Accumulated losses	Total		
30 September 2014 (reviewed) (restated)	207,862	664	117	(12,784)	(34,516)	161,343	-	239,804
As at 1 January 2014	-	-	-	-	(7,547)	(7,547)	(360)	(5,372)
(Loss) / profit for the period (page 3)	-	-	-	(833)	-	(833)	-	(771)
Foreign currency translation differences	-	-	-	-	-	-	-	-
Share of changes in reserves of equity-accounted investees	-	-	(234)	546	-	312	-	312
Total recognised income and expense for the period	-	-	(234)	(287)	(7,547)	(8,068)	(360)	(5,831)
Capital increase (note 1)	100	-	-	-	-	100	-	100
Non-controlling interests related to assets held-for-sale	-	-	-	-	-	-	479	4,598
As at 30 September 2014	207,962	664	(117)	(13,071)	(42,063)	153,375	81,537	238,671

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2015

US\$ 000's

	30 September 2015 (reviewed)	30 September 2014 (reviewed) (restated)
OPERATING ACTIVITIES		
Loss for the period	(14,251)	(5,372)
Adjustments for:		
Gain on sale of investment securities	(1,838)	(955)
Fair value changes in investment securities	4,985	(6,641)
Share of profit of equity-accounted investees	(4,013)	(3,912)
Depreciation and amortisation	3,493	3,524
Sukuk amortisation	47	(92)
Loss from assets held-for-sale and discontinued operations	205	945
Impairment allowance	339	3,500
	(11,033)	(9,003)
Changes in:		
Financing receivables	(66,064)	33,795
Other assets	(11,502)	(3,208)
Due to financial institutions	14,017	(16,475)
Due to customers	34,001	(18,842)
Other liabilities	3,845	2,397
Net cash used in operating activities	(36,736)	(11,336)
INVESTING ACTIVITIES		
Purchase of equipment, net	(1,129)	(350)
Proceeds from sale of investment securities	66,589	9,077
Purchase of investment securities	(59,567)	(15,953)
Purchase of investment property	-	(411)
Net cash generated from / (used in) investing activities	5,893	(7,637)
FINANCING ACTIVITIES		
Repayment of financing liabilities	(8,351)	(4,432)
Net cash used in financing activities	(8,351)	(4,432)
Net decrease in cash and cash equivalents during the period	(39,194)	(23,405)
Effect of exchange rate changes on cash and cash equivalents	(823)	(1,369)
Cash and cash equivalents at the beginning of the period	64,760	91,672
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24,743	66,898
Cash and cash equivalents comprise:		
Cash and balances with banks	15,809	17,187
Placements with financial institutions	8,934	49,711
	24,743	66,898

The condensed consolidated interim financial information consists of pages 2 to 19.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015**

US\$ 000's

1. REPORTING ENTITY

Bank Alkhair B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration No. 53462 on 29 April 2004 and operates under a wholesale Islamic banking license granted by the Central Bank of Bahrain (CBB). The Bank's registered office is at the 26th floor, West Tower Bahrain Financial Harbour, Building No. 1459, Road No. 4626, Manama Sea Front 346, Kingdom of Bahrain.

The Bank and its subsidiaries (together referred to as "the Group") aim to provide a full range of investment banking products and services that are compliant with Shari'ah principles. The principal products and services offered by the Group are:

- financial advisory services;
- private equity, equity structuring, private placements and initial public offerings;
- facility structuring, restructuring and placement including project finance, securitisation and Sukuk;
- structuring and marketing of both open and closed end mutual funds as well as client portfolio management and brokerage services that aim to meet investor driven return and asset criteria;
- advisory and investment services for takaful (Islamic insurance) and retakaful (Islamic reinsurance) providers; and
- mergers and acquisitions, including deal sourcing, structuring, valuations and advisory.

In 2014, the Group increased the share capital by US\$ 100 thousands due to reconciliation of accounting and statutory records by adjusting the subscription received earlier from a shareholder that was included under "other liabilities".

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards. Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 - '*Interim Financial Reporting*'. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2014. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

Going concern

As at 30 September 2015, the current contractual liabilities of the Group exceeded its liquid assets and 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 as of 30 September 2015 was below the minimum regulatory capital requirements. 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 support from major shareholders who have also in the past provided support when it was needed. The Board of Directors has reviewed these initiatives and is satisfied with the appropriateness of the going concern assumption for preparation of the condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015**

US\$ 000's

2. BASIS OF PREPARATION (Continued)*Accounting policies*

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2014 except for changes arising from new standards and amendments issued and effective from 1 January 2015 as given below:

Amendments to Financial Accounting Standard (FAS) No. 23 – Consolidation

During the period the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued amendments to FAS 23 which are effective from 1 January 2015. These amendments provide clarification and expands the scenarios for assessing control when an entity holds less than majority voting rights in an investee. In particular, the concept of de-facto control has been introduced. The amendment clarifies that where the IFI has less than majority voting rights in an investee, control may also exist through:

- a) agreement with the entity's other shareholders or the entity itself;
- b) rights arising from other contractual arrangements;
- c) the IFI's voting rights (de facto power);
- d) potential voting rights; or
- e) a combination thereof.

Further, FAS 23 does not provide specific guidance for assessment of control over special purpose vehicles (SPVs) and the Bank was previously referring to the relevant guidance within International Financial Reporting Standards (IFRSs). As a result of revisions to IFRS 10 (consolidation), the Group has now also changed its accounting policy for determining whether it has control over SPVs. The new control model focuses on whether the Group has power over an SPV, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In particular, expanded guidance has been provided to assess whether the Group's decision making rights over an investee would be considered as those of a principal (primarily for its own benefit) and when it would be considered to be that of an agent (primarily for benefit of its investors).

In accordance with the transitional provisions of the amendments to FAS 23, the Group reassessed its control conclusions as of 1 January 2015. The Group has reassessed its investments considering the new control definition criteria and based on the assessment, management had concluded that the Group do not have power over relevant activities of the investee and do not have significant variability from its involvement with the investee.

There were no changes to the entities that were controlled and consolidated by the Group as of 31 December 2014. Accordingly, adoption of the new amendments did not have a significant impact on the condensed consolidated interim financial information or the amounts reported in the comparative periods.

Judgements and estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2014.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015**

US\$ 000's

2. BASIS OF PREPARATION (Continued)
Financial Risk Management

The Group's financial risk management objectives and policies are consistent with that disclosed in the audited consolidated financial statements for the year ended 31 December 2014.

3. The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position has been extracted from the audited consolidated financial statements for the year ended 31 December 2014 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts have been extracted from the condensed consolidated interim financial information for the nine months ended 30 September 2014 effected for the restatement given below.

Restatement

In 2014, the Group had classified its investment in a subsidiary, Al Tajamoout for Touristic Projects Plc, and investment in an equity-accounted investee, Burj Bank Limited, as assets held-for-sale. As at 31 December 2014, since the investments no longer meet the criteria to be classified as held-for-sale, these were re-classified as held-for-use.

In accordance with IFRS 5-Non-current assets held-for-sale and discontinued operations, upon reclassification as held-for-use, the subsidiary was consolidated on a line by line basis including earlier periods resulting in restatement of the prior year as if the subsidiary had always been consolidated. The reclassification to held-for-use resulted in reduction in profits previously reported for the nine months ended 30 September 2014 by US\$ 1,958 thousands.

With regard to investment in equity-accounted investee, Burj Bank Limited, the equity method was applied retrospectively from the date of its classification as held-for-sale. The reclassification of the investment in Burj Bank Limited as held-for-use resulted in recognition in the condensed consolidated income statement of the Group's share of loss of US\$ 1,438 thousands for the nine months ended 30 September 2014 and share of profit of US\$ 5,787 thousands for previous periods being recognised in accumulated losses as at 1 January 2014.

4. SEASONALITY

Due to nature of the Bank's business, the nine months' results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

5. Appropriations of net profit, if any, are made only after the year end and approval by the shareholders in the annual general meeting.

6. FINANCING RECEIVABLES

	30 September 2015 (reviewed)	31 December 2014 (audited)
Gross murabaha receivables	88,244	15,579
Less: Deferred profits	(6,281)	(154)
Net murabaha receivables	81,963	15,425
Less: Specific impairment allowances	(6,174)	(5,974)
Less: Collective impairment allowances	(618)	(300)
	75,171	9,151

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015

US\$ 000's

7. INVESTMENT SECURITIES

	30 September 2015 (reviewed)	31 December 2014 (audited)
Equity type instruments		
<i>At fair value through income statement:</i>		
- Quoted equity securities	2,522	1,028
- Unquoted equity securities	27,490	30,255
- Quoted funds	7,431	9,032
- Unquoted funds	23,446	24,816
Total equity type instruments	60,889	65,131
Debt type instruments		
<i>At amortised cost :</i>		
- Sukuk	14,655	20,192
	75,544	85,323

The Group's investments in sukuk held at amortised cost amounting to US\$ 14,655 thousands (2014: US\$ 20,192 thousands) has a fair value amounting to US\$ 14,031 thousands (2014: US\$ 20,136 thousands).

8. ASSETS AND LIABILITIES HELD-FOR-SALE

	30 September 2015 (reviewed)	31 December 2014 (audited)
Subsidiaries held-for-sale		
- Assets	15,589	15,082
- Liabilities	(1,888)	(1,374)
Net assets	13,701	13,708

Assets and liabilities held-for-sale represents Tintoria International Limited (TI), a subsidiary in which the Group holds 52.06% stake. The Group acquired control over TI in May 2014 and had recognised identifiable assets and liabilities based on management's estimated fair value less cost to sell the investment.

The Group has an active plan to sell its stake in TI, and accordingly, the asset and liabilities acquired are classified as held-for-sale and presented in consolidated statement of financial position. Equity stake held by external parties are classified as "non-controlling interests related to assets held-for-sale" in the consolidated statement of financial position.

The net result of operations of the subsidiary during the period was loss of US\$ 205 thousands (30 September 2014: loss US\$ 945 thousands) which is presented separately as "loss from assets held-for-sale and discontinued operations" in condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015

US\$ 000's

9. EQUITY-ACCOUNTED INVESTEEES

	30 September 2015 (reviewed)	31 December 2014 (audited)
BFC Group Holdings Ltd.	103,702	99,191
Burj Bank Limited	11,403	13,176
T'azur Company B.S.C. (c)	9,532	9,607
	124,637	121,974

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\$ 34.7 million (31 December 2014: US\$ 33.5 million). The Group's share of the commitment is US\$ 8.9 million (31 December 2014: US\$ 8.7 million).

10. INVESTMENT PROPERTY**30 September 2015 (reviewed)**

	Carrying value	Fair value
Land – Kingdom of Bahrain	17,706	19,788
Land and building – Kingdom of Saudi Arabia	53,751	58,462
Land and building – Jordan	179,723	184,184
	251,180	262,434

31 December 2014 (audited)

	Carrying Value	Fair value
Land – Kingdom of Bahrain	17,706	19,788
Land and building – Kingdom of Saudi Arabia	54,719	56,013
Land and building – Jordan	181,684	184,136
	254,109	259,937

11. OTHER ASSETS

	30 September 2015 (reviewed)	31 December 2014 (audited)
Prepayments and advances	11,181	4,953
Rental income receivable	2,712	2,745
Fees and expenses recoverable	2,467	1,978
Intangible assets	31	93
Others	9,044	5,119
	25,435	14,888
Less: Provision for impairment	(1,902)	(1,902)
	23,533	12,986

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015**

US\$ 000's

12. OTHER LIABILITIES

	30 September 2015 (reviewed)	31 December 2014 (audited)
Trade and other payables	11,317	11,499
Advance rental income	9,534	5,266
Accruals and other provisions	6,063	6,330
Deal-related payables	4,725	4,725
Staff-related payables	2,592	2,566
Provision for legal and professional expenses	820	820
Restructuring provision	419	419
	35,470	31,625

13. INCOME FROM INVESTMENT SECURITIES

	30 September 2015 (reviewed)	30 September 2014 (reviewed) (restated)
Fair value (loss) / gain on investment securities	(4,985)	6,641
Gain on sale of investment securities	963	846
Sukuk income		
- Sukuk profit	595	597
- Gain on sale of sukuk	875	109
Dividend income	23	2
	(2,529)	8,195

14. COMMITMENTS AND CONTINGENCIES

	30 September 2015 (reviewed)	31 December 2014 (audited)
Commitment to invest	10,150	11,000
Guarantees	5,311	5,311
Lease commitments	808	127
	16,269	16,438

Litigations and claims

The Bank has filed a number of legal cases against the former Chief Executive Officer before the Civil and Criminal Courts of the Kingdom of Bahrain and the UK. Further, the former CEO has also filed a court case in the Bahraini courts for wrongful dismissal. The Bahraini Courts have ruled in favour of the Bank in a number of the civil and criminal cases. The case in the UK was filed by the Bank to remedy the damages resulting from defamation and unlawful conspiracy. The case is currently in progress and the ultimate outcome of the matter cannot presently be determined and, accordingly, no provision for any effects on the Group that may result has been made in the condensed consolidated interim financial information. During the first quarter of 2015, the Group paid GBP 5.5 million (equivalent US\$ 8.4 million) to the court pending outcome of the case and is included under "prepayment and advances".

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015**

US\$ 000's

14. COMMITMENTS AND CONTINGENCIES (continued)

A number of employment claims have been filed against the Bank by former employees. The Bank's external legal counsel has confirmed that the Bank has strong grounds to successfully defend itself against these claims. No disclosure regarding contingent liabilities arising from the employment claims has been made as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

The Group's share of commitments arising from its equity-accounted investees is given in note 9.

15. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation during the period is as follows:

	30 September 2015 (reviewed)	30 September 2014 (reviewed)
Short term employee benefits	2,502	1,415
Post-employment benefits	82	332
	2,584	1,747

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015

US\$ 000's

15. RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2015 (reviewed)				31 December 2014 (audited)			
	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities
Assets								
Financing receivables	-	-	-	8,455	-	-	-	1,835
Investment securities	44,485	-	-	23,463	49,453	-	-	27,683
Equity-accounted investees	124,637	-	-	-	121,974	-	-	-
Other assets	1,455	-	2	339	1,048	-	9	266
Liabilities								
Due to financial institutions	14,541	-	-	-	15,580	-	-	-
Due to customers	918	-	-	30,116	914	-	-	52,231
Other liabilities	324	1,141	82	488	64	1,233	941	374

	Nine months ended 30 September 2015 (reviewed)				Nine months ended 30 September 2014 (reviewed)X restated			
	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities
Income / (expenses)								
Income from investment securities	(4,486)	-	-	2,108	4,646	-	-	2,522
Fees and commission	1,680	-	-	351	1,825	-	-	115
Net finance income / (expense)	(392)	-	-	(1,105)	(437)	-	-	(1,133)
Share of profit of equity-accounted investees	4,013	-	-	-	3,912	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(350)	-	(62)	-	(467)	-	(99)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015

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16. SEGMENT INFORMATION

	For the nine months ended 30 September 2015 (reviewed)				
	Investment Banking & Alkhair Capital Menkul Degerler A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company	Total
External revenue	(6,346)	1,377	-	-	(4,969)
Net finance (expense) / income	699	424	1,332	-	2,455
Income from investment securities	1,822	368	1,643	-	3,833
Fees and commission	4,013	-	-	-	4,013
Share of profit of equity-accounted investees	17,809	-	-	-	17,809
Income from real estate operations	-	-	2,520	-	2,520
Rental income	13	(9)	-	-	4
Other income	(247)	247	-	-	-
Inter-segment income					
Total income	17,763	2,407	5,495	-	25,665
Total operating expenses	(27,046)	(1,987)	(5,355)	-	(34,388)
Impairment allowance	(4,137)	(299)	(887)	-	(5,323)
Loss from assets held-for-sale	(205)	-	-	-	(205)
(Loss)/profit for the period	(13,625)	121	(747)	-	(14,251)
Equity-accounted investees	124,637	-	-	-	124,637
Segment assets	431,629	113,699	68,109	(20,678)	592,759
Segment liabilities	308,486	87,360	6,395	(20,678)	381,563

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015

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16. SEGMENT INFORMATION (continued)

	For the nine months ended 30 September 2014 (reviewed) (restated)				
	Investment Banking & Alkhair Capital Menkul Degerler A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company	Total
External revenue					
Net finance (expense) / income	(5,518)	382	-	-	(5,136)
Income from investment securities	5,120	361	2,714	-	8,195
Fees and commission	1,955	328	1,785	-	4,068
Share of profit of equity-accounted investees	3,912	-	-	-	3,912
Income from real estate operations	17,480	-	-	-	17,480
Rental income	-	-	2,541	-	2,541
Other income	393	29	-	-	422
Inter-segment income	2,842	(2,842)	-	-	-
Total income	26,184	(1,742)	7,040	-	31,482
Total operating expenses	(26,266)	(1,653)	(4,490)	-	(32,409)
Impairment allowance	(3,500)	-	-	-	(3,500)
Loss from assets held-for-sale	(945)	-	-	-	(945)
(Loss)/profit for the period	(4,527)	(3,395)	2,550	-	(5,372)
Equity-accounted investees (as at 31 December 2014) (audited)	121,974	-	-	-	121,974
Segment assets (as at 31 December 2014) (audited)	450,442	66,857	68,419	(20,735)	564,983
Segment liabilities (as at 31 December 2014) (audited)	311,723	40,644	5,906	(20,735)	337,538

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015

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17. FINANCIAL INSTRUMENTS**Fair values**

The Group's financial instruments are accounted for under the historical cost method with the exception of investment securities. By contrast, the fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

Set out below is a comparison of the carrying amounts and fair values of financial instruments:

30 September 2015 (reviewed)

	Carrying amount	Fair Value
Financial assets:		
Balances with banks	15,800	15,800
Placements with financial institutions	8,934	8,934
Financing receivables	75,171	75,171
Investment securities	75,544	74,921
Other financial assets	12,321	12,321
	187,770	187,147
Financial liabilities:		
Placements from financial institutions	48,627	48,627
Financing liabilities	64,023	64,023
Due to customers	231,555	231,555
Other financial liabilities	26,396	26,396
	370,601	370,601

31 December 2014 (audited)

	Carrying amount	Fair value
Financial assets:		
Balances with banks	22,493	22,493
Placements with financial institutions	42,250	42,250
Financing receivables	9,151	9,151
Investment securities	85,323	85,305
Other financial assets	7,940	7,940
	167,157	167,139
Financial liabilities:		
Placements from financial institutions	34,613	34,613
Financing liabilities	72,374	72,374
Due to customers	197,552	197,552
Other financial liabilities	22,310	22,310
	326,849	326,849

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015**

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17. FINANCIAL INSTRUMENTS (continued)**Valuation techniques**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Investment securities

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active or the instrument is not quoted, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses and other valuation models with accepted economic methodologies for pricing financial instruments.

*Sensitivity analysis**Unquoted securities and funds - Investment securities carried at fair value through income statement:*

The effect on profit as a result of a change in the fair value of equity instruments due to a reasonable possible change (i.e. +/-15%) in the value of individual investments, with all other variables held constant, is US\$ 7.6 million. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Financing receivables

The fair values of financing receivables are principally estimated at their carrying amount less impairment provisions as these are for short term (i.e. less than 12 months). Hence, the present value of expected future cash flows is not expected to be different from their carrying values.

Other financial instruments

Placements with financial institutions, due to financial institutions and due to customers are for short term tenure hence their carrying value is not different from the fair value. Fair value of other financial assets and liabilities are not significantly different from their carrying values due to their short term nature.

Fair value hierarchy

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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17. FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 September 2015 (reviewed)

Investment securities

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
9,953	44,484	6,453	60,890
9,953	44,484	6,453	60,890

31 December 2014 (audited)

Investment securities

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
10,060	49,453	5,618	65,131
10,060	49,453	5,618	65,131

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

	30 September 2015 (reviewed)	30 September 2014 (reviewed)
At 1 January	5,618	8,709
Losses recognised in income statement	(15)	(5)
Purchases	850	-
Settlements	-	-
Transfers into / (out) of Level 3	-	(7,084)
At 30 September	6,453	1,620

18. COMPARATIVES

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported loss for the period or equity except for the restatement mentioned in note 3.