

BANK ALKHAIR B.S.C. (c)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 SEPTEMBER 2013

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	4 th Floor Building No. 2304, Road 2830, Seef District 428 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 (w.e.f. 27 June 2013) Abdullah Ali Al Dubaikhi (w.e.f. 27 June 2013) Majed Abdulrahman Al Qasem (w.e.f. 27 June 2013) Sultan Abdulrahman Abalkheel (w.e.f. 27 June 2013) Abdulrazaq Mohamed Al Wohaib (w.e.f. 27 June 2013) Ali Saleh Al Othaim (w.e.f. 27 June 2013) Khalid Mohamed Abdulrahim Mohamed (w.e.f. 27 June 2013) Waleed Abdulrahim Alasfoor (w.e.f. 27 June 2013)
Acting Chief Executive Officer	:	Jonathan H. Holley
Auditors	:	KPMG Fakhro

BANK ALKHAIR B.S.C. (c)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013**

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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

11 November 2013

Introduction

We have reviewed the accompanying 30 September 2013 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 2013;
- the condensed consolidated income statement for the three month and nine month periods ended 30 September 2013;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2013;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2013;
- the condensed consolidated statement of changes in restricted investment accounts for the nine month period ended 30 September 2013; and
- 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 2013 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.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

US\$ 000's

	Note	30 September 2013 (reviewed)	31 December 2012 (audited)
ASSETS			
Cash and balances with banks		29,150	7,985
Placements with financial institutions		65,536	63,733
Financing receivables	6	88,824	86,623
Investment securities	7	83,403	112,905
Assets held-for-sale	8	220,392	18,932
Equity-accounted investees	9	108,690	106,006
Investment property		17,706	17,706
Other assets	10	4,515	25,988
Equipment		1,738	2,277
TOTAL ASSETS		619,954	442,155
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial institutions	11	78,500	153,121
Due to customers		174,602	68,176
Liabilities related to assets held-for-sale	8	99,975	-
Other liabilities	12	22,608	24,978
TOTAL LIABILITIES		375,685	246,275
EQUITY			
Share capital		207,862	207,862
Statutory reserve		337	337
Fair value reserve		114	114
Foreign currency translation reserve		(9,258)	(8,485)
Accumulated losses		(31,327)	(32,715)
Equity attributable to the shareholders of the Parent		167,728	167,113
Non-controlling interests		27,719	28,767
Non-controlling interests related to assets held-for-sale	8	48,822	-
TOTAL EQUITY (page 4)		244,269	195,880
TOTAL LIABILITIES AND EQUITY		619,954	442,155

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 19 on 11 November 2013.



Yousef Abdullah Al-Shelash

Chairman



Hethloul Saleh Al-Hethloul

Board Member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2013

US\$ 000's

	Note	Nine months ended		Three months ended	
		30 September 2013 (reviewed)	30 September 2012 (reviewed)	30 September 2013 (reviewed)	30 September 2012 (reviewed)
Finance income		5,457	6,050	1,834	2,040
Finance expense		(5,991)	(5,944)	(2,183)	(1,925)
Net finance (expense)/ income		(534)	106	(349)	115
Income from investment securities	13	5,914	(11,561)	465	(593)
Fees and commission income	14	4,598	3,152	1,288	1,796
Share of profit of equity-accounted investees	9	4,890	9,115	1,784	1,965
Gain on acquisition of assets held-for-sale	8	14,003	-	-	-
Other income		585	480	204	84
Total income		29,456	1,292	3,392	3,367
Staff cost		11,749	15,055	3,540	5,024
Legal and professional expenses		8,703	3,720	789	1,352
Premises cost		1,897	2,178	496	702
Business development expenses		495	781	269	236
Depreciation		1,003	1,462	264	462
Other operating expenses		3,164	4,080	1,013	1,363
Total expenses		27,011	27,276	6,371	9,139
Profit / (loss) for the period before Zakah and impairment		2,445	(25,984)	(2,979)	(5,772)
Provision for Zakah (Charge) / reversal of impairment on receivables		(1,080)	(1,380)	(360)	(380)
		(1,200)	1,715	-	215
Profit / (loss) for the period from continuing operations		165	(25,649)	(3,339)	(5,937)
Income from assets held-for-sale and discontinued operations		451	(173)	271	183
Profit / (loss) for the period		616	(25,822)	(3,068)	(5,754)
Attributable to:					
Shareholders of the Parent		1,388	(23,621)	(2,908)	(5,197)
Non-controlling interests		(1,000)	(2,201)	(299)	(557)
Non-controlling interests relating to assets held-for-sale		228	-	139	-
		616	(25,822)	(3,068)	(5,754)

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 2013

US\$ 000's

	Attributable to the shareholders of the Parent						Non-controlling interests	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 2013 (reviewed)									
As at 1 January 2013	207,862	337	114	(8,485)	(32,715)	167,113	28,767	-	195,880
Profit for the period (page 3)	-	-	-	-	1,388	1,388	(1,000)	228	616
Foreign currency translation differences	-	-	-	(553)	-	(553)	(48)	-	(601)
Share of changes in reserves of equity-accounted investees	-	-	-	(220)	-	(220)	-	-	(220)
Total recognised income and expense for the period	-	-	-	(773)	1,388	615	(1,048)	228	(205)
Non-controlling interests related to assets held-for-sale	-	-	-	-	-	-	-	48,594	48,594
As at 30 September 2013	207,862	337	114	(9,258)	(31,327)	167,728	27,719	48,822	244,269

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 2013 (continued)

US\$ 000's

	Attributable to the shareholders of the Parent							Non-controlling interests	Total equity
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Accumulated losses	Total	Total		
30 September 2012 (reviewed)									
As at 1 January 2012	207,862	337	(227)	(8,642)	4,153	203,483	31,683	235,166	
Loss for the period (page 3)	-	-	-	-	(23,621)	(23,621)	(2,201)	(25,822)	
Foreign currency translation differences	-	-	-	351	-	351	-	351	
Fair value changes	-	-	192	-	-	192	-	192	
Share of changes in reserves of equity-accounted investees	-	-	149	(204)	-	(55)	-	(55)	
Total recognised income and expense for the period	-	-	341	147	(23,621)	(23,133)	(2,201)	(25,334)	
As at 30 September 2012	207,862	337	114	(8,495)	(19,468)	180,350	29,482	209,832	

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 2013

US\$ 000's

	30 September 2013 (reviewed)	30 September 2012 (reviewed)
OPERATING ACTIVITIES		
Profit / (loss) for the period	616	(25,822)
Adjustments for:		
Provision for Zakah	1,080	1,380
Gain on sale of investment securities	(401)	(446)
Fair value changes in investment securities	(4,696)	12,958
Share of profit of equity-accounted investees	(4,890)	(9,115)
Depreciation and amortisation	1,003	1,462
Other income	(324)	-
Sukuk amortisation	(287)	(476)
Gain on acquisition of assets held-for-sale	(14,003)	-
Income from assets held-for-sale and discontinued operations	(451)	173
Charge / (reversal) of impairment	1,200	(1,715)
	(21,153)	(21,601)
Changes in:		
Financing receivables	(3,401)	2,355
Other assets	9,575	17,268
Due to financial institutions	(59,511)	(1,958)
Due to customers	106,426	(33,609)
Other liabilities	(4,580)	(2,075)
Proceeds from sale of investment securities	17,007	11,267
Purchase of investment securities	(5,186)	(6,000)
Net cash generated from / (used in) operating activities	39,177	(34,353)
INVESTING ACTIVITIES		
Net purchase of equipment	108	(270)
Payments for purchase of equity-accounted investees	(2,600)	-
Dividends received from equity-accounted investees	2,168	-
Net cash used in investing activities	(324)	(270)
FINANCING ACTIVITIES		
Draw down of bank financing	-	15,110
Repayment of bank financing	(15,110)	-
Net cash (used in) / generated from financing activities	(15,110)	15,110
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	23,743	(19,513)
Effect of exchange rate changes on cash and cash equivalents	(775)	80
Cash and cash equivalents at the beginning of the period	71,718	77,558
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	94,686	58,125
Cash and cash equivalents comprise:		
Cash and balances with banks	29,150	10,815
Placements with financial institutions	65,536	47,310
	94,686	58,125

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2013

US\$ 000's

30 September 2013 (reviewed)	At 1 January 2013	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 September 2013
Wakala contract	-	500	8	(1)	(507)	-

30 September 2012 (reviewed)	At 1 January 2012	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 September 2012
Wakala contract	3,604	-	91	(36)	(3,659)	-

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013**

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 4th floor of Building No. 2304, Road No. 2830, Seef District 428, Manama, 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.

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 Standard. 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 2012. 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 2012.

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for foreseeable future. The management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, and accordingly, the condensed consolidated interim financial information has been prepared on a going concern basis.

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 2012 except for the adoption of applicable new accounting standards with effect from 1 January 2013 as referred to below.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013**

US\$ 000's

2. BASIS OF PREPARATION *(continued)**New standards and amendments*

The Bank has adopted Financial Accounting Standard 26 ("FAS 26") "Investment in real estate" issued by AAOIFI during 2012, which is effective 1 January 2013. Previously, the Group was following the fair value model. On the date of adoption of the standard, the Group opted to measure investment properties using the cost model. The adoption of the new standard did not have any material impact on the Group.

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 2012.

On 31 May 2013, the Group acquired a business (note 8) and is currently in the process of determining fair values of the acquired identifiable assets and liabilities. The 30 September 2013 condensed consolidated interim financial information have been prepared using provisional accounting. It is possible that there may be adjustments to the recognised assets and liabilities in subsequent reporting periods that may require adjustments to the reported amounts and results in the 30 September 2013 condensed consolidated interim financial information.

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 2012.

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 2012 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 2012.
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 at the year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013

US\$ 000's

6. FINANCING RECEIVABLES

	30 September 2013	31 December 2012
Gross murabaha receivables	91,146	87,735
Less: Deferred profits	(872)	(862)
Less: Specific impairment allowances	(1,200)	-
Less: Collective impairment allowances	(250)	(250)
	88,824	86,623

7. INVESTMENT SECURITIES

	30 September 2013	31 December 2012
Equity type instruments		
<i>At fair value through income statement:</i>		
- Quoted equity securities (note 8)	34	23,691
- Unquoted equity securities	29,771	32,771
- Unquoted funds	27,369	28,397
- Quoted funds	3,118	1,983
	60,292	86,842
<i>At fair value through equity:</i>		
- Quoted equity securities	9,342	-
Total equity type investments	69,634	86,842
Debt type instruments		
<i>At amortised cost:</i>		
- Sukuk	13,769	26,063
	83,403	112,905

8. ASSETS AND LIABILITIES HELD-FOR-SALE

	30 September 2013	31 December 2012
Subsidiary held-for-sale		
- Assets	198,860	-
- Liabilities	(99,975)	-
Net assets	98,885	-
Equity-accounted investee	21,532	18,932

On 31 May 2013, the Group acquired additional stake of 4.17% in Al-Tajamoutat for Touristic Projects Co Plc (TAJ), a company listed on the Amman Stock Exchange, Jordan to take the Group's overall stake to 50.63% resulting in TAJ becoming a subsidiary. The investment was previously accounted for as investment carried at fair value through income statement.

As per acquisition accounting requirements, the net identifiable assets and liabilities recognized on acquisition were measured at their fair values on the date of acquisition. The total consideration for the controlling stake amounted to US\$ 35,838 thousand. The Bank has provisionally recognised identifiable assets of US\$ 205,706 thousand and liabilities of US\$ 107,260 thousand at the date of acquisition which also represents the management's estimated fair value less cost to sell of the investment.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013**

US\$ 000's

8. ASSETS AND LIABILITIES HELD-FOR-SALE (continued)

As the fair value of the recognized net identifiable assets is in excess of the consideration paid, the excess of US\$ 14,003 thousand has been recognized as a gain on bargain purchase under "gain on acquisition of assets held-for-sale" in the condensed consolidated income statement. The gain on bargain purchase primarily arose from the fact that the previously held stake in TAJ was measured at the quoted market price, which was substantially below the fair value of the underlying net assets of TAJ.

The Group has an active plan to sell its stake in TAJ, and accordingly, the asset and liabilities acquired are classified as held-for-sale and presented in the condensed consolidated statement of financial position.

Further, assets held-for-sale includes investment in Burj Bank Limited of US\$ 21,532 thousand (31 December 2012: US\$ 18,932 thousand), an equity-accounted investee, which was classified as held-for-sale in June 2012. During the period, the Bank subscribed to share right issue amounting US\$ 2,600 thousand. The Bank has entered into a sale agreement for the sale of the investment. However, the sale agreement is subject to regulatory approvals which are pending as of the date of this condensed consolidated interim financial information. The Group has extended the terms of the sale agreement with buyer and the management is confident that the sale process will be completed. Accordingly, the investment in Burj Bank Limited continues to be classified as held-for-sale.

9. EQUITY-ACCOUNTED INVESTEEES

	30 September 2013	31 December 2012
BFC Group Holdings Ltd.	95,637	93,205
t'azur Company B.S.C. (c)	13,053	12,801
	108,690	106,006

The movement on equity-accounted investees is as follows:

	2013	2012
At 1 January	106,006	114,952
Share of profits of equity-accounted investees	4,890	10,575
Share of reserves of equity-accounted investees	(38)	103
Transferred to assets held-for-sale	-	(16,372)
Dividends received	(2,168)	(3,252)
At 30 September / 31 December	108,690	106,006

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\$ 33.8 million at 30 September 2013 (31 December 2012: US\$ 31 million). The Group's share of the commitment is US\$ 8.7million (31 December 2012: US\$ 6.7 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013

US\$ 000's

10. OTHER ASSETS

	30 September 2013	31 December 2012
Advance for purchase of investments	663	7,145
Fees and expenses recoverable	1,619	4,314
Prepayments and advances	1,420	1,353
Receivable from sale of investment securities	-	11,900
Others	3,722	5,044
	7,424	29,756
Less: Provision for impairment on others	(2,909)	(3,768)
	4,515	25,988

11. DUE TO FINANCIAL INSTITUTIONS

	30 September 2013	31 December 2012
Placements from financial institutions	78,500	138,011
Bank financing	-	15,110
	78,500	153,121

In February 2013, the Group repaid the bank financing.

12. OTHER LIABILITIES

	30 September 2013	31 December 2012
Provision for legal and professional expenses	4,455	6,800
Accruals and other provisions	1,802	1,564
Restructuring provision	419	419
Deal-related payables	4,740	4,740
Staff-related payables	2,347	2,240
Trade and other payables	8,845	9,215
	22,608	24,978

13. INCOME FROM INVESTMENT SECURITIES

	30 September 2013	30 September 2012
Dividend income	-	25
Fair value gain / (loss) on investment securities	4,696	(12,958)
(Loss) / gain on sale of investment securities	(45)	364
Sukuk income		
- Sukuk profit	817	926
- Gain on sale of sukuk	446	82
	5,914	(11,561)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013

US\$ 000's

14. FEES AND COMMISSION

	30 September 2013	30 September 2012
Advisory fees	339	496
Placement, arrangement and underwriting fees	1,984	1,157
Management fees	2,066	1,165
Brokerage fees	209	334
	4,598	3,152

15. COMMITMENTS AND CONTINGENCIES

	30 September 2013	31 December 2012
Lease commitments	1,270	2,882
Guarantees	5,311	3,315
Financing	2,500	-
	9,081	6,197

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. At the same time the former CEO has filed a court case in the Bahraini courts for wrongful dismissal. The Bahraini Courts have ruled in favor 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 still in its early stages.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013

US\$ 000's

17. SEGMENT INFORMATION

	For the nine months ended 30 September 2013				
	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	(2,720)	2,186	-	-	(534)
Income from investment securities	4,651	1,263	-	-	5,914
Fees and commission	1,796	1,985	817	-	4,598
Share of profit of equity-accounted investees	4,890	-	-	-	4,890
Gain on acquisition of assets held-for-sale	14,003	-	-	-	14,003
Other income	601	(15)	(1)	-	585
Inter-segment income	(2,551)	443	2,108	-	-
Total income	20,670	5,862	2,924	-	29,456
Total operating expenses	(19,843)	(3,315)	(3,853)	-	(27,011)
(Charge) / reversal of impairment	-	(1,200)	-	-	(1,200)
Provision for Zakah	-	-	(1,080)	-	(1,080)
Income from assets held-for-sale	451	-	-	-	451
Profit / (loss) for the period	1,278	1,347	(2,009)	-	616
Equity-accounted investees	108,690	-	-	-	108,690
Segment assets	474,297	164,482	67,537	(86,362)	619,954
Segment liabilities	321,543	133,611	6,893	(86,362)	375,685

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013

US\$ 000's

17. SEGMENT INFORMATION (continued)

	For the nine months ended 30 September 2012					Total
	Investment Banking & Alkhair Capital Menkul Degerfer A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company		
External revenue						
Net finance expense	(1,792)	1,898	-	-		106
Income from investment securities	(12,294)	733	-	-		(11,561)
Fees and commission	1,177	1,642	333	-		3,152
Share of profit of equity-accounted investees	9,115	-	-	-		9,115
Other income	453	27	-	-		480
Inter-segment income	(2,421)	202	2,219	-		-
Total income	(5,762)	4,502	2,552	-		1,292
Total operating expenses	(18,177)	(3,402)	(5,697)	-		(27,276)
Reversal of impairment	1,715	-	-	-		1,715
Provision for Zakah	-	-	(1,380)	-		(1,380)
Income from assets held-for-sale	(173)	-	-	-		(173)
(Loss) / profit for the period	(22,397)	1,100	(4,525)	-		(25,822)
31 December 2012 (audited)						
Equity-accounted investees	106,006	-	-	-		106,006
Segment assets	272,538	185,567	70,099	(86,049)		442,155
Segment liabilities	167,888	156,990	7,446	(86,049)		246,275

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013

US\$ 000's

18. 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 2013

	Carrying amount	Fair value
Financial assets:		
Balances with banks	29,134	29,134
Placements with financial institutions	65,536	65,536
Financing receivables	88,824	88,824
Investment securities	83,403	83,755
Other assets	4,515	4,515
	271,412	271,764
Financial liabilities:		
Due to financial institutions	78,500	78,500
Due to customers	174,602	174,602
Other liabilities	19,842	19,842
	272,944	272,944

31 December 2012

	Carrying amount	Fair value
Financial assets:		
Balances with banks	7,966	7,966
Placements with financial institutions	63,733	63,733
Financing receivables	86,623	86,623
Investment securities	112,905	114,101
Other assets	25,988	25,988
	297,215	298,411
Financial liabilities:		
Due to financial institutions	153,121	153,121
Due to customers	68,176	68,176
Other liabilities	22,319	22,319
	243,616	243,616

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2013**

US\$ 000's

18. 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 - 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\$ 8.6 million. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Quoted securities - Investment securities carried at fair value through equity:

The Group's listed equity investment is listed on Saudi Stock Exchange (Tadawul). This investment classified as investment carried at fair value through equity, a 2 percent increase in Saudi Stock Exchange Index at the end of the reporting period would have increased the equity as at 30 September 2013 by US\$ 136 thousand; an equal change in the opposite direction would have decreased the equity by US\$ 136 thousand.

Financing receivables

The fair values of financing receivables are principally estimated 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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US\$ 000's

18. 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 2013*Investment securities*

Equity type instruments carried at fair value through income statement

Equity type instruments carried at fair value through equity

Level 1	Level 2	Level 3	Total
3,152	27,369	29,771	60,292
9,342	-	-	9,342
12,494	27,369	29,771	69,634

31 December 2012*Investment securities*

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
25,674	28,397	32,771	86,842
25,674	28,397	32,771	86,842

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

	30 September 2013	30 September 2012
At 1 January		
Gains / (losses) in income statement	32,771	32,771
Purchases	(3,000)	-
Settlements	-	-
Transfers into (out) of Level 3	-	-
At 30 September	29,771	32,771

19. COMPARATIVES

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported loss or equity.