

**BANK ALKHAIR B.S.C. (c)**  
**CONDENSED CONSOLIDATED INTERIM**  
**FINANCIAL INFORMATION**  
**31 MARCH 2013**

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	4 <sup>th</sup> Floor Building No. 2304, Road 2830, Seef District 428 PO Box 31700, Manama, Kingdom of Bahrain
Directors	:	Yousef A. Al-Shelash, <i>Chairman</i> Hethloul Saleh Al-Hethloul Bader Abdulaziz Kanoo Abdullatif Abdullah Al-Shalash Ayman Abdullah Boodai Ayman Ismail Abudawood Abdulaziz Naif Al Orayer Ahmed Saleh Dehailan Adel Yousef Al Saqabi Khalid Shaheen
Acting Chief Executive Officer	:	Jonathan H. Holley
Auditors	:	KPMG Fakhro

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 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

9 May 2013

### **Introduction**

We have reviewed the accompanying 31 March 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 31 March 2013;
- the condensed consolidated income statement for the three month period ended 31 March 2013;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2013;
- the condensed consolidated statements of cash flows for the three month period ended 31 March 2013;
- the condensed consolidated statement of changes in restricted investment accounts for the three month period ended 31 March 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 IAS 34, 'Interim Financial Reporting'. 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 31 March 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.

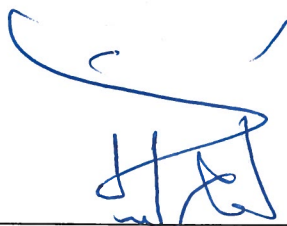


**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2013**

US\$ 000's

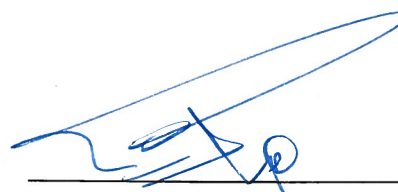
	note	<b>31 March 2013 (reviewed)</b>	<b>31 December 2012 (audited)</b>
<b>ASSETS</b>			
Cash and balances with banks		9,823	7,985
Placements with financial institutions		49,648	63,733
Financing receivables	6	89,736	86,623
Investment securities	7	103,000	112,905
Assets held-for-sale	8	18,932	18,932
Equity-accounted investees	9	107,082	106,006
Investment property		17,706	17,706
Other assets	10	25,412	25,988
Equipment		1,951	2,277
<b>TOTAL ASSETS</b>		<b>423,290</b>	<b>442,155</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to financial institutions	11	122,560	153,121
Due to customers		88,304	68,176
Other liabilities	12	19,969	24,978
<b>TOTAL LIABILITIES</b>		<b>230,833</b>	<b>246,275</b>
<b>EQUITY</b>			
Share capital		207,862	207,862
Statutory reserve		337	337
Fair value reserve		114	114
Foreign currency translation reserve		(9,064)	(8,485)
Accumulated losses		(35,151)	(32,715)
<b>Equity attributable to the shareholders of the parent</b>		<b>164,098</b>	<b>167,113</b>
Non-controlling interests		28,359	28,767
<b>TOTAL EQUITY (page 4)</b>		<b>192,457</b>	<b>195,880</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>423,290</b>	<b>442,155</b>

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 18 on 9 May 2013.



Yousef Abdullah Al-Shelash

Chairman



Hethloul Saleh Al-Hethloul

Board Member

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**for the three months ended 31 March 2013**

US\$ 000's

		<b>Three months ended</b>	
	Note	<b>31 March 2013 (reviewed)</b>	<b>31 March 2012 (reviewed)</b>
Finance income		1,804	2,032
Finance expense		(1,735)	(2,136)
<b>Net finance income / (expense)</b>		<b>69</b>	<b>(104)</b>
Income from investment securities	13	2,373	(5,994)
Fees and commission	14	1,155	605
Share of profit of equity-accounted investees		1,529	5,185
Other income		236	187
<b>Total income</b>		<b>5,362</b>	<b>(121)</b>
Staff cost		4,174	5,769
Legal and professional expenses		1,442	972
Premises cost		693	773
Business development expenses		126	312
Depreciation		406	552
Other operating expenses		979	1,727
<b>Total expenses</b>		<b>7,820</b>	<b>10,105</b>
<b>Loss for the period before Zakah and impairment</b>		<b>(2,458)</b>	<b>(10,226)</b>
Provision for Zakah		(380)	(500)
Reversal of impairment		-	2,000
<b>Loss for the period</b>		<b>(2,838)</b>	<b>(8,726)</b>
Attributable to:			
Shareholders of the Parent		(2,436)	(7,945)
Non-controlling interests		(402)	(781)
		<b>(2,838)</b>	<b>(8,726)</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the three months ended 31 March 2013**

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
<b>31 March 2013</b> (reviewed)								
As at 1 January 2013	207,862	337	114	(8,485)	(32,715)	167,113	28,767	195,880
Loss for the period	-	-	-	-	(2,436)	(2,436)	(402)	(2,838)
Foreign currency translation differences	-	-	-	(64)	-	(64)	(6)	(70)
Share of changes in reserves of equity-accounted investees	-	-	-	(515)	-	(515)	-	(515)
<b>Total recognised income and expense for the period</b>	-	-	-	<b>(579)</b>	<b>(2,436)</b>	<b>(3,015)</b>	<b>(408)</b>	<b>(3,423)</b>
<b>As at 31 March 2013</b>	<b>207,862</b>	<b>337</b>	<b>114</b>	<b>(9,064)</b>	<b>(35,151)</b>	<b>164,098</b>	<b>28,359</b>	<b>192,457</b>

The condensed consolidated interim financial information consists of pages 2 to 18.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the three months ended 31 March 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
31 March 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	-	-	-	-	(7,945)	(7,945)	(781)	(8,726)
Foreign currency translation differences	-	-	-	428	-	428	(64)	364
Fair value changes	-	-	192	-	-	192	-	192
Share of changes in reserves of equity-accounted investees	-	-	149	-	-	149	-	149
Total recognised income and expense for the period	-	-	341	428	(7,945)	(7,176)	(845)	(8,021)
As at 31 March 2012	207,862	337	114	(8,214)	(3,792)	196,307	30,838	227,145

The condensed consolidated interim financial information consists of pages 2 to 18.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the three months ended 31 March 2013**

US\$ 000's

	<b>31 March 2013</b> (reviewed)	31 March 2012 (reviewed)
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(2,838)	(8,726)
Adjustments for:		
Provision for Zakah	380	500
Gain on sale of investment securities	(550)	(364)
Fair value changes in investment securities	(1,538)	6,646
Share of profit of equity-accounted investees	(1,529)	(5,185)
Depreciation and amortisation	406	552
Sukuk amortisation	(161)	(58)
Reversal of impairment	-	(2,000)
	(5,830)	(8,635)
Changes in:		
Financing receivables	(3,113)	(440)
Other assets	493	(168)
Due to financial institutions	(15,451)	(36,238)
Due to customers	20,128	36,822
Other liabilities	(5,389)	(485)
Proceeds from sale of investment securities	15,974	4,214
Purchase of investment securities	(3,818)	-
<b>Net cash generated from / (used in) operating activities</b>	<b>2,994</b>	<b>(4,930)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	3	(181)
<b>Net cash generated from / (used in) investing activities</b>	<b>3</b>	<b>(181)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank financing	(15,110)	-
<b>Net cash used in financing activities</b>	<b>(15,110)</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,113)</b>	<b>(5,111)</b>
Effect of exchange rate changes on cash and cash equivalents	(134)	390
Cash and cash equivalents at the beginning of the period	71,718	77,558
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>59,471</b>	<b>72,837</b>
Cash and cash equivalents comprise:		
Cash and balances with banks	9,823	25,605
Placements with financial institutions	49,648	47,232
	<b>59,471</b>	<b>72,837</b>

The condensed consolidated interim financial information consists of pages 2 to 18.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT  
ACCOUNTS**

for the three months ended 31 March 2013

US\$ 000's

	At 1 January 2013	Deposit	Gross Income	Wakil Fee	Withdrawals	At 31 March 2013
<b>31 March 2013</b> (reviewed)						
Wakala contract	-	500	1	-	-	<b>501</b>

	At 1 January 2012	Deposit	Gross Income	Wakil Fee	Withdrawals	At 31 March 2012
<b>31 March 2012</b> (reviewed)						
Wakala contract	3,604	-	78	(31)	(513)	<b>3,138</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the three months ended 31 March 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 4<sup>th</sup> 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 financial statements and should be read in conjunction with the audited consolidated financial statements of the Group 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 1st January 2013 as referred to below.

*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 as of 1 January 2013. The adoption of the new standard does not have any material impact on the Group.

The Bank has also adopted the revised IAS 34 effective 1 January 2013 which requires certain additional disclosures relating to fair value measurement in the interim financial information, which has been disclosed in note 18.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2013**

US\$ 000's

**2. BASIS OF PREPARATION** *(continued)*
*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.

*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 three months ended 31 March 2012.
4. Due to nature of the Bank's business, the three 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.

**6. FINANCING RECEIVABLES**

	<b>31 March 2013</b>	31 December 2012
Gross murabaha receivables	90,907	87,735
Less: Deferred profits	(921)	(862)
Less: Collective impairment allowances	(250)	(250)
	<b>89,736</b>	86,623

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2013**

US\$ 000's

**7. INVESTMENT SECURITIES**

	<b>31 March 2013</b>	31 December 2012
<b>Equity type instruments</b>		
<i>At fair value through income statement:</i>		
- Quoted equity securities	25,695	23,691
- Unquoted equity securities	32,771	32,771
- Unquoted funds	27,897	28,397
- Quoted funds	1,985	1,983
<b>Total equity type investments</b>	<b>88,348</b>	86,842
<b>Debt type instruments</b>		
<i>At amortised cost:</i>		
- Sukuk	14,652	26,063
	<b>103,000</b>	112,905

**8. ASSETS HELD-FOR-SALE**

Assets held-for-sale represents investment in Burj Bank Limited, an equity-accounted investee, for which the Group has active plan to sell in the foreseeable future.

**9. EQUITY-ACCOUNTED INVESTEEES**

	<b>31 March 2013</b>	31 December 2012
BFC Group Holdings Ltd.	94,143	93,205
t'azur Company B.S.C. (c)	12,939	12,801
	<b>107,082</b>	106,006

**10. OTHER ASSETS**

	<b>31 March 2013</b>	31 December 2012
Advance for purchase of investments	7,145	7,145
Fees and expenses recoverable	3,777	4,314
Prepayments and advances	1,390	1,353
Receivable from sale of investment securities	11,900	11,900
Others	4,968	5,044
	<b>29,180</b>	29,756
Less:		
Provision for impairment on others	(3,768)	(3,768)
	<b>25,412</b>	25,988

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2013**

US\$ 000's

**11. DUE TO FINANCIAL INSTITUTIONS**

	<b>31 March 2013</b>	31 December 2012
Placements from financial institutions	122,560	138,011
Bank financing	-	15,110
	<b>122,560</b>	<b>153,121</b>

In February 2013, the Group repaid the bank financing.

**12. OTHER LIABILITIES**

	<b>31 March 2013</b>	31 December 2012
Provision for legal and professional expenses	1,692	6,800
Accruals and other provisions	1,768	1,564
Restructuring provision	419	419
Deal-related payables	4,740	4,740
Staff-related payables	2,512	2,240
Trade and other payables	8,838	9,215
	<b>19,969</b>	<b>24,978</b>

**13. INCOME FROM INVESTMENT SECURITIES**

	<b>31 March 2013</b>	31 March 2012
Fair value gain / (loss) on investment securities carried at FVTIS	1,538	(6,646)
Gain on sale of investment securities carried at FVTIS	22	282
Sukuk Income		
- Sukuk profit	285	288
- Gain on sale of sukuk	528	82
	<b>2,373</b>	<b>(5,994)</b>

**14. FEES AND COMMISSION**

	<b>31 March 2013</b>	31 March 2012
Advisory fees	32	16
Arrangement fees	472	129
Management fees	601	460
Brokerage fees	50	-
	<b>1,155</b>	<b>605</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
for the three months ended 31 March 2013

US\$ 000's

**15. COMMITMENTS AND CONTINGENCIES**

	<b>31 March 2013</b>	<b>31 December 2012</b>
Lease commitments	2,520	2,882
Guarantees	3,311	3,315
	<b>5,831</b>	<b>6,197</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2013**

US\$ 000's

**16. RELATED PARTY TRANSACTIONS**

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

	31 March 2013				31 December 2012			
	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
<b>Assets</b>								
Financing receivables	6,556	-	-	7,107	6,556	-	-	7,108
Investment securities	84,784	-	-	10,898	83,309	-	-	11,181
Assets held-for-sale	18,932	-	-	-	18,932	-	-	-
Equity-accounted investees	107,082	-	-	-	106,006	-	-	-
Other assets	3,475	-	76	870	2,536	-	90	842
<b>Liabilities</b>								
Due to financial institutions	27,787	-	-	-	26,191	-	-	-
Due to customers	-	-	-	660	-	-	-	660
Other liabilities	109	1,501	727	105	152	1,284	548	66
	Three months ended 31 March 2013				Three months ended 31 March 2012			
	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
<b>Income / (expenses)</b>								
Income from investment securities	1,476	-	-	268	(6,820)	-	-	126
Fees and commission	561	-	-	26	462	-	-	-
Net finance income / (expense)	(179)	-	-	138	(206)	-	-	138
Share of profit of equity-accounted investees	1,529	-	-	-	5,185	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(217)	-	(13)	-	(141)	-	(62)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2013**

US\$ 000's

**17. SEGMENT INFORMATION**

For the three months ended 31 March 2013					
	Investment Banking & Alkhair Capital Merkul Degerler A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company	Total
External revenue					
Net finance (expense) / income	(617)	686	-	-	69
Income from investment securities	1,561	812	-	-	2,373
Fees and commission	586	472	97	-	1,155
Share of profit of equity-accounted investees	1,529	-	-	-	1,529
Other income	240	(4)	-	-	236
Inter-segment income	(844)	132	712	-	-
<b>Total income</b>	<b>2,455</b>	<b>2,098</b>	<b>809</b>	<b>-</b>	<b>5,364</b>
Total operating expenses	(5,411)	(1,156)	(1,253)	-	(7,820)
Reversal of impairment	-	-	-	-	-
Provision for tax	-	-	(380)	-	(380)
<b>(Loss) / profit for the period</b>	<b>(2,956)</b>	<b>942</b>	<b>(824)</b>	<b>-</b>	<b>(2,838)</b>
Equity-accounted investees	107,082	-	-	-	107,082
Segment assets	275,672	175,000	68,218	(95,600)	423,290
Segment liabilities	175,517	144,535	6,381	(95,600)	230,833



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2013**

US\$ 000's

## 17. SEGMENT INFORMATION (continued)

	For the three months ended 31 March 2012				
	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	(592)	488	-	-	(104)
Income from investment securities	(6,329)	335	-	-	(5,994)
Fees and commission	461	144	-	-	605
Share of profit of equity-accounted investees	5,185	-	-	-	5,185
Other income	147	40	-	-	187
Inter-segment income	(801)	68	733	-	-
Total income	(1,929)	1,075	733	-	(121)
Total operating expenses	(7,416)	(835)	(1,854)	-	(10,105)
Reversal of impairment	2,000	-	-	-	2,000
Provision for tax	-	-	(500)	-	(500)
(Loss) / profit for the period	(7,345)	240	(1,621)	-	(8,726)
Equity-accounted investees (as at 31 December 2012 (audited))	106,006	-	-	-	106,006
Segment assets (as at 31 December 2012 (audited))	272,538	185,567	70,099	(86,049)	442,155
Segment liabilities (as at 31 December 2012 (audited))	167,888	156,990	7,446	(86,049)	246,275

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 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:

**31 March 2013**

	Carrying amount	Fair value
<b>Financial assets:</b>		
Cash and balances with banks	9,823	9,823
Placements with financial institutions	49,648	49,648
Financing receivables	89,736	89,736
Investment securities	103,000	103,644
Other assets	25,412	25,412
	<b>277,619</b>	<b>278,263</b>
<b>Financial liabilities:</b>		
Due to financial institutions	122,560	122,560
Due to customers	88,304	88,304
Other liabilities	17,038	17,038
	<b>227,902</b>	<b>227,902</b>

**31 December 2012**

	Carrying amount	Fair value
<b>Financial assets:</b>		
Cash and balances with banks	7,985	7,985
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
	<b>297,234</b>	<b>298,430</b>
<b>Financial liabilities:</b>		
Due to financial institutions	153,121	153,121
Due to customers	68,176	68,176
Other liabilities	22,319	22,319
	<b>243,616</b>	<b>243,616</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the three months ended 31 March 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*

Quoted securities – Investment securities carried at fair value through income statement:

The Group's listed equity investment is listed on Amman Stock Exchange. This investment is classified as investment carried at fair value through income statement, a 2 percent increase / decrease in Aman Stock Exchange Index at the end of the period would have increased / decrease the profit for the period by US\$ 45 thousands.

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\$ 9.1 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 their carrying amount less collective 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).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2013**

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:

**31 March 2013**
*Investment securities*

Equity type instruments carried at fair value through income statements

Level 1	Level 2	Level 3	Total
25,695	29,882	32,771	88,348
<b>25,695</b>	<b>29,882</b>	<b>32,771</b>	<b>88,348</b>

**31 December 2012**
*Investment securities*

Equity type instruments carried at fair value through income statement

Level 1	Level 2	Level 3	Total
23,691	30,380	32,771	86,842
<b>23,691</b>	<b>30,380</b>	<b>32,771</b>	<b>86,842</b>

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

	<b>31 March 2013</b>	31 March 2012
At 1 January	32,771	32,771
Gains (losses) in income statement	-	-
Purchases	-	-
Settlements	-	-
Transfers into (out) of Level 3	-	-
<b>At 31 March</b>	<b>32,771</b>	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.