

IBDAR BANK B.S.C. (c)
**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

30 September 2014

Ibdar Bank B.S.C. (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

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Independent auditors' report on review of condensed consolidated interim financial information

To
The Board of Directors
Ibdar Bank BSC (c)
Manama
Kingdom of Bahrain

6 November 2014

Introduction

We have reviewed the accompanying 30 September 2014 condensed consolidated interim financial information of Ibdar Bank BSC (c) (the "Bank") and its subsidiaries (the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2014;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2014;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2014; 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 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Other matter

The comparatives for the condensed consolidated statement of financial position as at 31 December 2013 were extracted from the audited consolidated financial statements for the year ended 31 December 2013, which were audited by another auditor who expressed an unmodified opinion on 19 February 2014. The comparatives for the condensed consolidated statements of income, changes in owners' equity, cash flows and changes in restricted investment accounts were extracted from the reviewed condensed consolidated interim financial information for the nine months ended 30 September 2013 which were reviewed by the same auditor who issued an unmodified conclusion on 31 October 2013.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

US\$ 000's

	note	30 September 2014 (reviewed)	31 December 2013 (audited)
ASSETS			
Cash and balances with banks		11,687	16,239
Placements with financial institutions		5,800	15,591
Financing receivables		19,531	12,232
Musharaka financing		791	787
Assets held-for-sale	6	96,719	-
Receivable from Ijarah investors		14,801	14,801
Investment in Ijarah asset		-	4,792
Ijarah muntahia bittamleek		815	1,283
Investment securities	7	214,855	228,867
Equity-accounted investees		14,358	11,372
Investment in real estate	8	41,617	44,080
Development properties		1,723	6,164
Other assets	9	3,599	3,852
Total assets		426,296	360,060
LIABILITIES			
Due to financial institutions	10	18,190	22,785
Due to investors		165	165
Liabilities related to assets held-for-sale	6	76,622	-
Other liabilities	9	8,555	8,456
Total liabilities		103,532	31,406
Equity of investment account holders		672	498
OWNERS' EQUITY			
Share capital		300,000	300,000
Share premium		16,385	16,385
Statutory reserve		676	676
Accumulated losses		(1,666)	(1,100)
Investment fair value reserve		(643)	3,348
Property fair value reserve		1,879	2,089
General reserve		4,618	4,618
Equity attributable to shareholders of Parent		321,249	326,016
Non-controlling interests		843	2,140
Total owners' equity		322,092	328,156
Total liabilities, equity of investment account holders and owner's equity		426,296	360,060

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 15 on 6 November 2014.



Paul Mercer
Chairman



Director



Basel Al-Hag Issa
Chief Executive Officer

The accompanying notes 1 to 18 form an integral part of these condensed consolidated interim financial information.



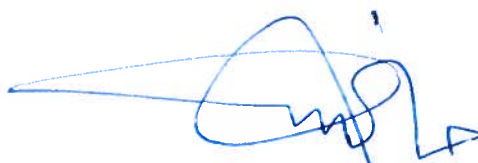
CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2014

US\$ 000's

	note	Nine months ended		Three months ended	
		30 September 2014 (reviewed)	30 September 2013 (reviewed)	30 September 2014 (reviewed)	30 September 2013 (reviewed)
Continuing operations					
INCOME					
Finance income		983	2,693	453	869
Income from investment securities	12	6,394	5,855	1,686	914
Share of profit of equity-accounted investees		483	94	361	94
Income from investment banking services		338	447	(50)	143
Other income	13	3,895	2,750	2,302	597
Total income		12,093	11,839	4,752	2,617
EXPENSES					
Staff cost		4,068	4,839	1,301	1,244
Finance expense		98	386	25	85
Depreciation and amortisation		155	85	49	32
Other expenses		3,637	3,441	1,205	1,038
Total expenses		7,958	8,751	2,580	2,399
Profit from continuing operations before impairment allowances		4,135	3,088	2,172	218
Impairment allowances	7	(5,061)	(857)	(4,523)	-
(Loss) / profit from continuing operations		(926)	2,231	(2,351)	218
Income from assets held-for-sale	6	943	-	943	-
PROFIT / (LOSS) FOR THE PERIOD		17	2,231	(1,408)	218
Attributable to:					
Shareholders of Parent		(566)	2,111	(1,800)	167
Non-controlling interests		583	120	392	51
		17	2,231	(1,408)	218



Paul Mercer
Chairman



Director



Basel Al-Hag Issa
Chief Executive Officer

The condensed consolidated interim financial information consists of pages 2 to 15.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2014

US\$ 000's

	Equity attributable to shareholders of Parent							Non-controlling interests	Total owners' equity
	Share capital	Share premium	Statutory reserve	Accumulated losses	Investment fair value reserve	Property fair value reserve	General reserve		
30 September 2014 (reviewed)									
Balance at 1 January 2014	300,000	16,385	676	(1,100)	3,348	2,089	4,618	326,016	328,156
(Loss) / profit for the period	-	-	-	(566)	-	-	-	(566)	17
Cumulative changes in fair value	-	-	-	-	(3,991)	(210)	-	(4,201)	(4,201)
Total recognised income and expense for the period	-	-	-	(566)	(3,991)	(210)	-	(4,767)	(4,184)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(1,880)
Balance at 30 September 2014	300,000	16,385	676	(1,666)	(643)	1,879	4,618	321,249	322,092

	Equity attributable to shareholders of Parent							Non-controlling interests	Total owners' equity
	Share capital	Share premium	Statutory reserve	Retained earnings	Investment fair value reserve	Property fair value reserve	General reserve		
30 September 2013 (reviewed)									
Balance at 1 January 2013	300,000	16,385	676	-	796	-	4,618	322,475	326,389
Profit for the period	-	-	-	2,111	-	-	-	2,111	2,231
Cumulative changes in fair value	-	-	-	-	813	-	-	813	813
Total recognised income and expense for the period	-	-	-	2,111	813	-	-	2,924	3,044
Reclassification effect of non-current asset held-for-sale to a subsidiary	-	-	37	-	-	-	-	37	37
Balance at 30 September 2013	300,000	16,385	713	2,111	1,609	-	4,618	325,436	329,470

The condensed consolidated interim financial information consists of pages 2 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2014

US\$ 000's

	Nine months ended	
	30 September 2014 (reviewed)	30 September 2013 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	17	2,231
Adjustments for:		
Depreciation and amortisation	155	85
Gain on sale of investment securities	(1,799)	(1,317)
Gain on sale of fixed assets	-	(18)
Gain on sale of investment in real estate	(400)	(857)
Gain on sale of development properties	(2,471)	(976)
Impairment allowances	5,061	857
Share of profit of equity accounted investees	(483)	(94)
Net amortization of premium / (discount) on sukuk	335	409
	415	320
Changes in operating assets and liabilities:		
Financing receivables	(7,298)	1,466
Placements with financial institutions (with original maturity of more than 90 days)	(4,595)	(13,663)
Musharaka financing	(25)	899
Investment in Ijara assets	4,792	-
Ijarah muntahia bittamleek	467	-
Other assets	191	568
Other liabilities	26	(7,069)
Equity of investment accounts holders	175	(581)
Net cash used in operating activities	(5,852)	(18,384)
INVESTING ACTIVITIES		
Purchase of investment securities	(23,863)	(37,085)
Proceeds from sale of investment securities	30,381	35,966
Proceeds from sale of investment in real estate	2,653	857
Proceeds from sale of development properties	6,955	10,180
Proceeds from sale of fixed assets	-	18
Payments for assets held-for-sale, net	(22,600)	-
Purchase of investment in real estate	-	(2,194)
Payments for purchase of fixed assets	(137)	(225)
Payments for acquisition of associate	-	(4,572)
Net cash from (used in) / generated from investing activities	(6,611)	2,945
FINANCING ACTIVITIES		
Non-controlling interests	(1,880)	-
Due to financial institutions	4,536	(6,003)
Due to investors	-	(1)
Net cash generated from / (used in) financing activities	2,656	(6,004)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,807)	(21,119)
Cash and cash equivalents at 1 January	27,294	43,534
CASH AND CASH EQUIVALENTS AT 30 September	17,487	22,415
CASH AND CASH EQUIVALENTS comprise:		
Cash and bank balances	11,687	13,395
Placements with financial institutions (with original maturity of 90 days or less)	5,800	9,020
	17,487	22,415

The condensed consolidated interim financial information consists of pages 2 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

for the nine months ended 30 September 2014

US\$ 000's

	Marketable equity securities portfolio	Unlisted securities portfolio	Real estate portfolio	Total
30 September 2014 (reviewed)				
Balance at 1 January 2014	2,832	67,044	42,538	112,414
Redemptions / withdrawals	(2,340)	-	(1,402)	(3,742)
Fair value changes	(2)	(129)	-	(131)
Balance at 30 September 2014	490	66,915	41,136	108,541

	Marketable equity securities portfolio	Unlisted securities portfolio	Real estate portfolio	Total
30 September 2013 (reviewed)				
Balance at 1 January 2013	1,756	66,250	42,725	110,731
Deposits and issues	-	613	-	613
Redemptions / withdrawals	(443)	-	(187)	(630)
Fair value changes	632	11	-	643
Balance at 30 September 2013	1,945	66,874	42,538	111,357

The condensed consolidated interim financial information consists of pages 2 to 15.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014**

US\$ 000's

1 REPORTING ENTITY

Ibdar Bank B.S.C. (c) ("the Bank" / "Parent") (formerly known as Elaf Bank BSC (c)), is a closed joint stock company incorporated in the Kingdom of Bahrain on 12 June 2007 under commercial registration (CR) number 65549. The Bank operates as an Islamic Wholesale Investment Bank under a license issued by the Central Bank of Bahrain ("the CBB"). The Bank's registered office is Zamil Tower, 6th Floor, Al Khalifa Avenue, Block 305, Manama, Kingdom of Bahrain.

The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board.

The principal activities of the Bank include investment advisory services and investment transactions, which comply with Islamic rules and principles according to the opinion of the Bank's Shari'a Supervisory Board.

The Bank carries out its business activities through its registered office in the Kingdom of Bahrain and its branch in Malaysia. The branch was granted a license to perform Islamic Banking Business on 15 June 2011 under Islamic Banking Act 1983.

The condensed consolidated interim financial information for the nine months ended 30 September 2014 comprise the financial information of the Bank and its subsidiaries (together referred as the "Group").

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 2013. 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 2013.

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 2013.

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 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

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 2013.

- 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 2013 and comparatives for the condensed consolidated statements of income, changes in owners' 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 2013.

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.

6 ASSETS AND LIABILITIES HELD-FOR-SALE

During the period, the Bank acquired four Q400 next generation Bombardier aircrafts using a special purpose vehicle funded using a combination of equity by the Bank and financing from financial institutions. The aircraft has been leased to Ethiopian airlines for a period of 12 years and the objective of the investment structure is to provide recurring yields to the investors. The Bank has acquired the aircraft with an intention to sell to investors, and is currently in the process of marketing the structure through a private placement memorandum. Accordingly, in accordance with IFRS 5 *Non-current assets held for sale*, the assets and corresponding liabilities have been presented in the condensed consolidated interim financial information as "held-for-sale". The net income from the investment during the period amounting to US\$ 943 thousand (2013: Nil) is presented in the condensed consolidated income statement under "income from assets held-for-sale".

7 INVESTMENT SECURITIES

	30 September 2014 (reviewed)	31 December 2013 (audited)
Debt type instruments		
<i>At amortised cost</i>		
- <i>Quoted sukuk</i>	64,086	74,808
Equity type instruments		
<i>At fair value through income statement</i>		
- <i>Unquoted equity securities</i>	11,200	15,121
- <i>Quoted equity securities</i>	15,120	5,055
<i>At fair value through equity</i>		
- <i>Quoted equity securities (at fair value)</i>	28,516	34,803
- <i>Unquoted equity securities (at fair value)</i>	4,370	4,370
- <i>Unquoted equity securities (at cost)</i>	91,563	94,711
	214,855	228,867

Unquoted equity securities of US\$ 91,563 thousand (31 December 2013: US\$ 94,711 thousand) are carried at cost less impairment in the absence of reliable measure of fair value. During the period, the Group recognised impairment allowances of US\$ 2,986 thousand (30 September 2013: Nil) on unquoted equity securities carried at cost and US\$ 2,000 thousand (30 September 2013: Nil) on quoted securities carried at fair value through equity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

US\$ 000's

8 INVESTMENT IN REAL ESTATE

	30 September 2014 (reviewed)	31 December 2013 (audited)
Lands	28,355	28,355
Buildings	13,262	15,725
	41,617	44,080

9 OTHER ASSETS

	30 September 2014 (reviewed)	31 December 2013 (audited)
Project related advances	225	-
Sukuk accrued profit	1,218	1,365
Ijarah receivable	455	621
Staff receivable	324	423
Prepaid expenses	327	213
Fixed assets	709	726
Others	341	504
	3,599	3,852

10 DUE TO FINANCIAL INSTITUTIONS

	30 September 2014 (reviewed)	31 December 2013 (audited)
Placements from financial institutions	6,519	11,020
Financing from financial institution	11,671	11,765
	18,190	22,785

Financing from financial institution is secured against investment properties of carrying value US\$ 29,580 thousand held on behalf of project investors and rolled over in May 2014. The Group is in the process of finalising the revised terms of the rolled over financing.

11 OTHER LIABILITIES

	30 September 2014 (reviewed)	31 December 2013 (audited)
Accounts payables	3,213	2,811
Due to Ijara investors	1,643	1,475
Restructuring provision	450	898
Provision for employee benefits	627	704
Directors' fee accrual	397	530
Others	2,225	2,038
	8,555	8,456

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

US\$ 000's

12 INCOME FROM INVESTMENT SECURITIES

	30 September 2014 (reviewed)	30 September 2013 (reviewed)
Income from sukuk	3,393	3,690
Dividend income	926	1,019
Gain on sale of sukuk	840	848
Gain on sale of investment securities	1,235	298
	6,394	5,855

13 OTHER INCOME

	30 September 2014 (reviewed)	30 September 2013 (reviewed)
Rental income	1,035	880
Gain on sale of development properties	2,471	976
Gain on sale of investment in real estate	400	857
Foreign exchange (loss) / gain	(28)	6
Others	17	31
	3,895	2,750

14 SEGMENT INFORMATION

The Group's operates under one segment "Investment Banking", therefore no separate operating segment results and other disclosures are provided in these condensed consolidated interim financial information.

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 or joint control over the other party in making financial and operating decisions. Related parties comprise major shareholders, directors, shari'a supervisory board and executive management of the Group and/or entities over which they exercise control and/or significant influence.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

US\$ 000's

15 RELATED PARTY TRANSACTIONS (continued)

	30 September 2014 (reviewed)					31 December 2013 (audited)				
	Associates	Directors/ key Management personnel Shari'a board members	Major shareholders / entities in which directors are interested	Assets under management	Total	Associates	Directors/ key Management personnel Shari'a board members	Major shareholders / entities in which directors are interested	Assets under management	Total
Assets										
Cash and balances with banks	-	-	3	-	3	-	-	35	-	35
Financing receivables	-	-	-	7,298	7,298	-	-	-	-	-
Investment securities	-	-	-	15,253	15,253	8,504	-	-	18,498	27,002
Equity-accounted investees	14,358	-	-	-	14,358	11,372	-	-	-	11,372
Other assets	-	-	-	213	213	191	-	2	210	403
Liabilities										
Due to investors	-	-	-	157	157	-	-	157	-	157
Other liabilities	80	924	12	1,125	2,141	80	1,194	46	580	1,900
Equity of investment account holders	-	-	-	205	205	-	131	-	-	131
Off-balance sheet Commitments	-	-	-	6,690	6,690	-	-	-	9,169	9,169

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

US\$ 000's

15 RELATED PARTY TRANSACTIONS (continued)

	30 September 2014 (reviewed)				30 September 2013 (reviewed)					
	Associates	Directors / key management personnel Shari'a board members	Major shareholders / entities in which directors are interested	Assets under management	Total	Associated companies	Directors / key management personnel Shari'a board members	Major shareholders / entities in which directors are interested	Assets under management	Total
Income										
Finance income	-	-	-	-	-	-	-	417	-	417
Share of profit of equity-accounted investees	483	-	-	-	483	94	-	-	-	94
Income from investment securities	-	-	9	220	229	-	196	242	-	438
Income from investment banking services	-	-	-	-	-	60	-	368	-	428
Expenses										
Staff cost	-	1,258	-	-	1,258	-	1,476	-	-	1,476
Finance expense	-	-	-	-	-	-	-	-	-	-
Other expenses	-	955	-	-	955	-	1,145	-	-	1,145

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

US\$ 000's

16 COMMITMENTS

	30 September 2014 (reviewed)	31 December 2013 (audited)
Uncalled capital commitments in respect of investment	8,791	9,169
Commitment related to project developments	133	132
Operating lease commitments:		
- Within one year	242	80
- One to three years	121	36
	9,287	9,417

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 2014 (reviewed)

	Carrying amount	Fair value
Financial assets:		
Cash and balances with banks	11,687	11,687
Placements with financial institutions	5,800	5,800
Financing receivables	19,531	19,531
Musharaka financing	791	791
Receivable from Ijarah investors	14,801	14,801
Ijarah muntahia bittamleek	815	815
Investment securities (excluding those carried at cost)	123,292	125,145
Other assets	2,222	2,222
	178,939	180,792
Financial liabilities:		
Due to financial institutions	18,190	18,190
Due to investors	165	165
Other liabilities	7,477	7,477
	25,832	25,832

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

US\$ 000's

17 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2013 (audited)	Carrying amount	Fair value
Financial assets:		
Cash and balances with banks	16,239	16,239
Placements with financial institutions	15,591	15,591
Financing receivables	12,232	12,232
Musharaka financing	787	787
Receivable from Ijarah investors	14,801	14,801
Investment in Ijarah asset	4,792	4,792
Ijarah muntahia bittamleek	1,283	1,283
Investment securities (excluding those carried at cost)	134,157	140,234
Other assets	2,409	2,409
	202,291	208,368
Financial liabilities:		
Due to financial institutions	22,785	22,785
Due to investors	165	165
Other liabilities	6,854	6,854
	29,804	29,804

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. +/-5%) in the value of individual investments, with all other variables held constant, is US\$ 560 thousand. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Islamic financing contracts

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2014

US\$ 000's

17 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

30 September 2014 (reviewed)

At fair value through income statement

- Quoted securities

- Unquoted securities

At fair value through equity

- Quoted equity securities *

- Unquoted equity securities

	Level 1	Level 2	Level 3	Total
- Quoted securities	11,200	-	-	11,200
- Unquoted securities	-	-	15,121	15,121
- Quoted equity securities *	9,061	-	19,454	28,515
- Unquoted equity securities	-	-	4,370	4,370
	20,261	-	38,945	59,206

31 December 2013 (audited)

At fair value through income statement

- Quoted securities

- Unquoted securities

At fair value through equity

Quoted equity securities *

Unquoted equity securities (at fair value)

	Level 1	Level 2	Level 3	Total
- Quoted securities	5,055	-	-	5,055
- Unquoted securities	-	-	15,121	15,121
Quoted equity securities *	10,087	-	24,716	34,803
Unquoted equity securities (at fair value)	-	-	4,370	4,370
	15,142	-	44,207	59,349

* The Bank uses alternative methods for valuation of listed equities where active market quotes are not readily available. Such investments, although quoted, are considered as level 3.

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

	30 September 2014 (reviewed)	31 December 2013 (audited)
At 1 January	44,207	44,207
Gains (losses) in income statement	-	-
Purchases / settlements	-	-
Fair value changes recognised in equity	(3,262)	-
Impairment allowances	(2,000)	-
At 30 September / 31 December	38,945	44,207

The fair values of other financial instruments on the condensed consolidated statement of financial position are not significantly different from their carrying values.

18 COMPARATIVES

Certain of the prior period's figures have been regrouped to conform to the presentation adopted in the current period. Such regrouping did not affect previously reported profit or owner's equity.