

United Gulf Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 September 2013 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF UNITED GULF BANK B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Bank B.S.C. (the Bank) and its subsidiaries (together the Group) as at 30 September 2013, comprising of the interim consolidated statement of financial position as at 30 September 2013 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the nine-month period then ended and explanatory notes. The Board of Directors of the Bank is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



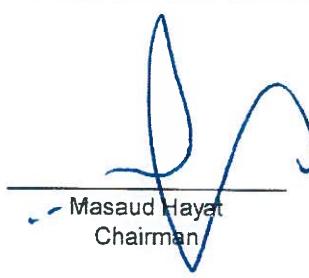
17 November 2013
Manama, Kingdom of Bahrain

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013 (Unaudited)

		Unaudited 30 September 2013	Audited 31 December 2012	Unaudited 30 September 2012
	Note	US\$ 000	US\$ 000	US\$ 000
ASSETS				
Demand and call deposits with banks		14,229	15,682	30,147
Placements with banks		93,661	67,030	53,801
Investments carried at fair value through statement of income		46,608	53,296	57,748
Non-trading investments	4	184,528	190,838	195,239
Loans and receivables		8,371	4,286	4,605
Other assets		41,593	24,181	74,860
Investments in associates and joint ventures accounted for under the equity method	5	810,727	799,314	911,433
Investment properties	6	14	14,020	14,720
Property and equipment		701	627	711
Goodwill		56,303	56,303	56,782
TOTAL ASSETS		1,256,735	1,225,577	1,400,046
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		233,735	175,369	164,046
Deposits from customers		27,786	64,520	76,169
Loans payable		398,123	382,389	455,295
Subordinated debt		100,000	100,000	100,000
Other liabilities		28,784	25,117	28,631
TOTAL LIABILITIES		788,428	747,395	824,141
EQUITY				
Share capital		208,650	208,644	208,644
Treasury shares		(18,111)	(15,340)	(15,340)
Share premium		11,459	11,459	11,459
Statutory reserve		96,623	96,623	95,518
General reserve		77,108	77,108	76,003
Treasury shares reserve		14,248	14,308	14,308
Fair value reserve		(9,168)	(3,562)	(18,718)
Foreign currency translation reserve		7,310	12,586	30,856
Retained earnings		56,599	54,382	146,958
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		444,718	456,208	549,688
Non-controlling interests in equity		23,589	21,974	26,217
TOTAL EQUITY		468,307	478,182	575,905
TOTAL LIABILITIES AND EQUITY		1,256,735	1,225,577	1,400,046


Masaad Hayat
Chairman


Faisal Al Ayyar
Vice Chairman


Rabih Soukarieh
Chief Executive Officer

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine-month period ended 30 September 2013 (Unaudited)

Note	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013		2012	
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Investment income - net	3,597	415	8,903	24,481
Interest income	1,751	1,245	5,092	4,540
	5,348	1,660	13,995	29,021
Fees and commissions	3,963	4,465	13,226	16,004
Foreign currency translation gains (losses) - net	262	(126)	1,327	(322)
Share of results of associates and joint ventures accounted for under the equity method - net	7	(2,585)	9,022	16,074
Total income	6,988	15,021	44,622	75,285
Interest expense	(7,784)	(10,039)	(23,416)	(35,340)
Operating income (loss) before expenses and provisions	(796)	4,982	21,206	39,945
Salaries and benefits	(4,554)	(4,434)	(12,725)	(15,017)
General and administrative expenses	(1,579)	(7,655)	(5,342)	(12,539)
Operating income (loss) before provisions	(6,929)	(7,107)	3,139	12,389
Impairment loss on investments	(22)	(3,082)	(1,352)	(12,305)
Write-back of (provision for) doubtful loans, guarantees and other assets - net	(65)	430	1,624	442
NET PROFIT (LOSS) FOR THE PERIOD	(7,016)	(9,759)	3,411	526
Profit (loss) attributable to:				
- shareholders of the parent	(7,447)	(11,533)	2,217	4,921
- non-controlling interests	431	1,774	1,194	(4,395)
	(7,016)	(9,759)	3,411	526

Earnings per share

Basic and diluted earnings
per share (US cents)

(0.91) **(1.41)** **0.27** **0.60**

Masoud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Rabih Soukarieh
Chief Executive Officer

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2013 (Unaudited)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	2012	2013	2012
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
NET PROFIT (LOSS) FOR THE PERIOD	(7,016)	(9,759)	3,411	526
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve	(2,375)	(5,002)	(5,417)	(9,663)
Fair value reserve	1,781	893	4,312	(132)
Transfer to interim consolidated statement of income upon disposal / impairment	438	5,948	1,740	(14,979)
Share of other comprehensive (loss) income of associates and joint ventures accounted for under the equity method	(5,743)	(1,827)	(11,278)	7,509
Cash flow hedges	(366)	(578)	348	2,268
Other comprehensive loss for the period to be reclassified to profit or loss in subsequent periods	(6,265)	(566)	(10,295)	(14,997)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(13,281)	(10,325)	(6,884)	(14,471)
Total comprehensive (loss) income attributable to				
- shareholders of the parent	(14,370)	(12,995)	(8,665)	(9,543)
- non-controlling interests	1,089	2,670	1,781	(4,928)
	(13,281)	(10,325)	(6,884)	(14,471)

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2013 (Unaudited)

	Note	Nine-month period ended 30 September	
		2013 US\$ 000	2012 US\$ 000
OPERATING ACTIVITIES			
Net profit for the period including profit attributable to non-controlling interests		3,411	526
Adjustments for non-cash items:			
Depreciation		172	345
(Gain) loss on investments carried at fair value through income statement		(5,593)	354
Share of results of associates and joint ventures accounted for under the equity method - net	7	(16,074)	(30,582)
Loss (gain) on sale of investment property		1,273	(7,333)
Loss on sale of associated companies		-	14,292
Impairment loss on investments		1,352	12,305
Write-back of provision for doubtful loans, guarantees and other assets - net		(1,624)	(442)
Interest income		(5,092)	(4,540)
Interest expense		23,416	35,340
Dividend income		(2,528)	(5,660)
Operating (loss) gain before working capital changes		(1,287)	14,605
Changes in operating assets and liabilities:			
Investments carried at fair value through statement of income		12,281	15,081
Non-trading investments		10,282	212,521
Loans and receivables		(2,461)	23,779
Other assets		(17,119)	(35,329)
Due to banks and other financial institutions		58,366	(47,749)
Deposits from customers		(36,734)	(4,180)
Other liabilities		4,516	(13,057)
Interest received		5,147	4,767
Interest paid		(23,865)	(37,423)
Dividends received		2,528	5,660
Donations		(200)	(200)
Directors' remuneration		(200)	(50)
Net cash from operating activities		11,254	138,425
INVESTING ACTIVITIES			
Investments in associates and joint ventures accounted for under the equity method - net		(6,617)	115,306
Proceeds from sale of investment property		12,733	8,667
Property and equipment - net		(246)	(110)
Net cash from investing activities		5,870	123,863
FINANCING ACTIVITIES			
Proceeds (repayment) of loans		15,734	(275,890)
Purchase of treasury shares		(2,831)	(2,615)
Proceeds from issue of shares		6	4
Net cash from (used in) financing activities		12,909	(278,501)
Foreign currency translation adjustments		(5,276)	(9,278)
Movement in non-controlling interests		421	(10,700)
NET CHANGE IN CASH AND CASH EQUIVALENTS		25,178	(36,191)
Cash and cash equivalents at 1 January		82,393	119,820
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	107,571	83,629

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the nine-month period ended 30 September 2013 (Unaudited)

										Attributable to shareholders of the parent			Total before non-controlling interests			Total equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Treasury share	Fair value reserve	Foreign currency translation reserve	Retained earnings	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 1 January 2013	208,644	(15,340)	11,459	96,623	77,108	14,308	(3,562)	12,586	54,382	456,208	21,974	478,182				
Profit for the period	-	-	-	-	-	-	(5,606)	(5,276)	2,217	2,217	1,194	3,411				
Other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	(10,882)	587	(10,295)				
Total comprehensive (loss) income for the period	6	(2,771)	-	-	-	-	(5,606)	(5,276)	2,217	(8,665)	1,781	(6,884)			6	
Share issued							(60)	-	-	-	(2,831)	-	(2,831)			
Purchase of treasury shares - net																
Other movements in non-controlling interests																(166)
Balance at 30 September 2013	208,650	(18,111)	11,459	96,623	77,108	14,248	(9,168)	7,310	56,599	444,718	23,589	468,307				
Balance at 1 January 2012	208,640	(12,725)	11,459	95,518	76,003	14,308	(13,532)	40,134	142,037	561,842	41,312	603,154				
Profit (loss) for the period	-	-	-	-	-	-	(5,186)	(9,278)	-	4,921	17,203	(4,395)	12,808			
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(4,910)	(533)	(5,443)				
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(5,186)	(9,278)	4,921	12,293	(4,928)	7,365				
Share issued	4	-	-	-	-	-	-	-	-	4	-	4				4
Purchase of treasury shares	-	(2,615)	-	-	-	-	-	-	-	1,901	-	1,901				1,901
Dividend of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(19,252)				(19,252)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	9,085	9,085			
Balance at 30 September 2012	208,644	(15,340)	11,459	95,518	76,003	14,308	(18,718)	30,856	123,093	528,310	26,217	554,527				

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

1 INCORPORATION AND PRINCIPAL ACTIVITY

United Gulf Bank B.S.C. [the Bank] is a joint stock company incorporated in the Kingdom of Bahrain in 1980, under Commercial Registration number 10550, and is listed on the Bahrain Bourse. The address of the Bank's registered office is UGB Tower, Diplomatic Area, P.O. Box 5964, Manama, Kingdom of Bahrain.

The Bank operates in Bahrain under a Wholesale Banking License issued by the Central Bank of Bahrain [the CBB].

The principal activities of the Bank and its principal subsidiaries [together the Group] comprise of investment and commercial banking. Investment banking includes asset portfolio management, corporate finance, advisory, investment in quoted and private equity / funds, real estate, capital markets, international banking and treasury functions. Commercial banking includes extending loans and other credit facilities, accepting deposits and current accounts from corporate and institutional customers.

The Bank's parent and ultimate holding company is Kuwait Projects Company (Holding) K.S.C. [KIPCO], a company incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange. As at 30 September 2013, KIPCO owned 96.82% of the Bank's outstanding shares (31 December 2012: 96.23%).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 17 November 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiaries [together the Group] for the nine-month period ended 30 September 2013 are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. In addition, results for the nine-month period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The nature and the impact of each new standard / amendment is described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 became effective as of 1 July 2012 and is applied by the Group for the first time in the interim condensed consolidated financial statements. The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 13.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). The Group already includes disclosure of total segment liabilities in its interim condensed consolidated financial statements (Note 10).

In addition to the above, the Group adopted the following new standards and amendments effective as of 1 January 2013 which did not have any material impact on the Group's financial position, performance or disclosures:

- IAS 1 Clarification of the requirement for comparative information (Amendment);
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R);
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment);
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7;
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements;
- IFRS 11 Joint Arrangements, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures; and
- IFRS 12 Disclosure of Interests in Other Entities.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3 BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements incorporate the interim condensed financial statements of the Bank and its principal subsidiaries.

4 NON - TRADING INVESTMENTS

Included under non-trading investments are unquoted available for sale investments, primarily representing nominal equity stakes of up to 13% (31 December 2012: 13%) in various geographically and sectorally dispersed entities, amounting to US\$ 55,423 thousand (31 December 2012: US\$ 56,055 thousand) for which fair value cannot be determined with sufficient accuracy, as future cash flows are not determinable.

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

In June 2013, the Group has acquired 12.6% equity interest in FIMBank P.L.C. (the FIMBank) for US\$ 12,564 thousand. In July 2013, the Group increased its equity interest in the FIMBank to 30.25% for US\$ 30,092 thousand by way of converting its debt. The FIMBank is accounted for as an associate by the Group. As a result of this acquisition, no bargain gain has been recorded on a provisional basis.

6 INVESTMENT PROPERTIES

During the period, the Group has sold its investment properties for US\$ 12,733 thousand to a related party and realised a loss of US\$ 1,273 thousand. As of the date of these interim condensed consolidated financial statements, legal formalities relating to the sale of investment properties were in progress.

7 SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD - NET

	<i>Unaudited Nine-month period ended 30 September</i>	
	<i>2013</i>	<i>2012</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>
Al Sharq Financial Brokerage Co.	299	62
Burgan Bank	10,932	28,889
FIMBank Group	289	-
KAMCO Energy Service Fund	-	(23)
Kuwait Private Equity Opportunities Fund	-	(117)
Manafae Investment Company	(853)	(806)
Meena Homes Real Estate Co.	24	(2,094)
North Africa Holding Company	(250)	(14,555)
Overland Real Estate Company	-	(4)
Royal Capital Company P.S.C.	(37)	-
Syria Gulf Bank	(1,511)	(77)
Takaud Savings and Pensions Company	(1,721)	(937)
United Capital Transport Company	1,137	1,933
United Industries Company	-	5,516
United Real Estate Company - Kuwait	7,765	12,795
	16,074	30,582

8 CASH AND CASH EQUIVALENTS

	<i>Unaudited 30 September</i>	<i>Audited 31 December</i>	<i>Unaudited 30 September</i>
	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	14,229	15,682	30,147
Time deposits with original maturities of ninety days or less	93,342	66,711	53,482
	107,571	82,393	83,629

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

9 RELATED PARTY TRANSACTIONS

The Group enters into transactions with its parent, associated companies, directors, senior management and entities which are either controlled or significantly influenced by any of the above mentioned parties.

The income and expenses in respect of related party transactions during the nine-months period are included in the interim condensed consolidated financial statements and are as follows:

	<i>Unaudited Nine-month period ended 30 September 2013</i>			<i>Unaudited Nine-month period ended 30 September 2012</i>
	<i>Major shareholder</i>	<i>Associates</i>	<i>Other related parties</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Loss on investments carried at fair value through statement of income-net	-	94	372	466
Gain on sale of non-trading investments	-	436	(13)	423
Loss on sale of an associate	-	-	-	-
Fees and commissions	2,155	1,925	4,551	8,631
Dividend income	6	31	72	109
Interest income	-	43	599	642
(Loss) gain on sale of investment properties	-	(1,273)	-	(1,273)
Interest expense	(2,813)	(7,581)	(964)	(11,358)
Others	4	75	(682)	(603)
Sales transactions				
Investments carried at fair value through statement of income	-	8,194	-	8,194
Non-trading investments	-	15,292	-	15,292
Investments in associated companies	-	-	-	-
Investment properties	-	-	12,733	12,733
				8,667

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

9 RELATED PARTY TRANSACTIONS (continued)

The period-end balances in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	<i>Unaudited</i> <i>30 September 2013</i>			<i>Audited</i> <i>31 December 2012</i>			<i>Unaudited</i> <i>30 September 2012</i>		
	<i>Major shareholder</i> <i>US\$ 000</i>	<i>Associates</i> <i>US\$ 000</i>	<i>Other related parties</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>			<i>US\$ 000</i>		<i>US\$ 000</i>
Demand and call deposits with banks	-	3,301	120	3,421	8,051	23,418			
Placements with banks	-	40,255	13,606	53,861	34,022	38,800			
Investments carried at fair value through statement of income	375	298	1,123	1,796	4,337	6,826			
Investments carried at fair value through statement of income in funds managed by related party	-	-	9,962	9,962	11,075	11,075			
Non-trading investments	-	-	26,874	26,874	6,630	3,484			
Loans and receivables	-	2,701	1,594	4,295	4,620	4,927			
Other assets	1,443	17,763	5,895	25,101	21,613	69,330			
Due to banks and other financial institutions	-	(65,149)	(75,108)	(140,257)	(118,980)	(136,291)			
Deposits from customers	(222)	(5,012)	(16,856)	(22,090)	(55,137)	(56,850)			
Loans payable	-	(278,891)	-	(278,891)	(261,113)	(268,199)			
Other liabilities	(104)	(1,067)	(1,710)	(2,881)	(4,734)	(5,183)			
<i>Off statement of financial position items:</i>									
Letters of credit	-	-	-	-	14,602	15,603			
Letters of guarantee	-	29,016	3,000	32,016	64,909	43,300			
Funds managed or advised by the Group (including funds under management)	-	-	67,691	67,691	62,226	61,378			

All related party exposures are performing and are free of any provision for possible credit losses.

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

10 SEGMENTAL INFORMATION

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (the chief operating decision-maker), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments reported by the Group meet the definition of a reportable segment under IFRS 8.

For management purposes, the Group is organised into business units based on the nature of their operations and services. The Group has two reportable operating segments being 'asset management and investment banking' and 'commercial banking'.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are generally recorded at estimated market rates.

Segmental results

Segmental results for the nine-month period ended 30 September 2013 were as follows:

	<i>Unaudited</i>		
	<i>Asset management and investment banking</i> US\$ 000	<i>Commercial banking</i> US\$ 000	<i>Total</i> US\$ 000
Income from external customers	28,548	-	28,548
Share of results of associates and joint ventures accounted for under the equity method	6,364	9,710	16,074
Total income	34,912	9,710	44,622
Operating (loss) income before provisions	(6,571)	9,710	3,139
Impairment loss on investments	(1,352)	-	(1,352)
Write-back of doubtful loans, guarantees and other assets - net	1,624	-	1,624
Net (loss) profit for the period	(6,299)	9,710	3,411
Profit attributable to shareholders of the parent			2,217
Profit attributable to non-controlling interests			1,194
			3,411

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

10 SEGMENTAL INFORMATION (continued)

Segmental results (continued)

Segmental results for the nine-month period ended 30 September 2012 were as follows:

	Unaudited		
	Asset management and investment banking US\$ 000	Commercial banking US\$ 000	Total US\$ 000
Income from external customers	44,703	-	44,703
Share of results of associates and joint venture accounted for under the equity method	1,770	28,812	30,582
Total income	46,473	28,812	75,285
Operating (loss) income before provisions	(16,423)	28,812	12,389
Impairment loss on investments	(12,305)	-	(12,305)
Write-back of provision for doubtful loans, guarantees and other assets - net	442	-	442
Net (loss) profit for the period	(28,286)	28,812	526
Profit attributable to shareholders of the parent			4,921
Loss attributable to non-controlling interests			(4,395)
			526

Segmental assets and liabilities

Segmental assets and liabilities at 30 September 2013 were as follows:

	Unaudited		
	Asset management and investment banking US\$ 000	Commercial banking US\$ 000	Total US\$ 000
Investments in associates and joint ventures accounted for under the equity method	284,237	526,490	810,727
Segment assets	730,245	526,490	1,256,735
Segment liabilities	788,428	-	788,428

Segmental assets and liabilities at 31 December 2012 were as follows:

	Audited		
	Asset management and investment banking US\$ 000	Commercial banking US\$ 000	Total US\$ 000
Investments in associates and joint ventures accounted for under the equity method	297,195	502,119	799,314
Segment assets	723,458	502,119	1,225,577
Segment liabilities	747,395	-	747,395

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

11 COMMITMENTS, CONTINGENCIES AND OTHER OFF STATEMENT OF FINANCIAL POSITION ITEMS

Commitments

Credit-related commitments include commitments to extend credit, standby letters of credit, letters of guarantee and acceptances which are designed to meet the requirements of the Group's customers.

Letters of credit, letters of guarantee (including standby letters of credit) and acceptances commit the Group to make payments on behalf of customers if certain conditions are met under the terms of the contract.

The Group has the following credit and investment-related commitments:

	Unaudited 30 September 2013 US\$ 000	Audited 31 December 2012 US\$ 000	Unaudited 30 September 2012 US\$ 000
Credit-related commitments:			
Letters of credit	-	14,602	15,603
Letters of guarantee	32,016	64,909	43,300
	32,016	79,511	58,903
Investment-related commitments			
	5,183	11,947	11,947
	37,199	91,458	70,850

All credit-related commitments mature within one year.

Investment-related commitments represent commitments for capital calls of fund structures. These commitments can be called during the investment period of the fund, which is normally between 1 to 5 years.

Funds under management

The Group holds assets amounting to US\$ 9,675 million (31 December 2012: US\$ 8,112 million) under its management on behalf of third parties. As these are third party funds managed in a fiduciary capacity, without risk or recourse to the Group, these are not included as assets in the interim consolidated statement of financial position.

12 DERIVATIVES

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments.

	Unaudited 30 September 2013 US\$ 000	Audited 31 December 2012 US\$ 000	Unaudited 30 September 2012 US\$ 000
<i>Derivatives held for trading:</i>			
Forward foreign exchange contracts *	459,214	341,448	353,219
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	548,077	714,521	869,200
Cross currency swaps	746,225	749,518	626,425
<i>Derivatives used as cash flow hedges</i>			
Interest rate swap	175,000	175,000	175,000

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

12 DERIVATIVES (continued)

* The Group uses foreign currency denominated borrowings and forward currency contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment in foreign operations hedges and are entered into for periods consistent with currency transaction exposures.

13 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 30 September 2013:

	<i>Loans and receivables</i> US\$ 000	<i>Available-for-sale</i> US\$ 000	<i>Fair value through profit or loss</i> US\$ 000	<i>Fair value through other comprehensive income</i> US\$ 000
Financial assets:				
Placements with banks	318	-	-	-
Investments carried at fair value through statement of income	-	-	46,608	-
Non-trading investments	-	184,528	-	-
Loans and receivables	8,371	-	-	-
Other assets	31,801	-	-	-
Investment properties	-	-	14	-
Total	40,490	184,528	46,622	-
Financial liabilities:				
Due to banks and other financial institutions	233,735	-	-	-
Deposits from customers	27,786	-	-	-
Loans payable	398,123	-	-	-
Subordinated debt	100,000	-	-	-
Other liabilities	28,784	-	-	-
Total	788,428	-	-	-

The fair values of financial instruments on statement of financial position are not significantly different from their carrying values included in the interim condensed consolidated financial statements except for non-trading investments of US\$ 55,423 thousand carried at cost (Note 4) and the following:

	<i>Carrying value</i> US\$ 000	<i>Fair value</i> US\$ 000
Subordinated debt	100,000	100,625

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

13 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

Fair value is 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.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The fair values of the funds that are listed on active markets are determined by reference to their quoted bid prices. The fair values of unlisted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor or the market value of a comparable company.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 September 2013:

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
Investments carried at fair value through statement of income				
Quoted equities	32,564	-	-	32,564
Quoted managed funds	9,961	-	-	9,961
Unquoted managed funds	-	4,083	-	4,083
	42,525	4,083	-	46,608
Non-trading investments				
<i>Quoted securities</i>				
Equities	5,355	-	-	5,355
<i>Unquoted securities</i>				
Equities	4,308	4,301	51	8,660
Real estate managed funds	-	12,291	-	12,291
Other managed funds	51,450	34,325	17,024	102,799
	61,113	50,917	17,075	129,105
	103,638	55,000	17,075	175,713

Transfers between Level 1, Level 2 and Level 3

During the nine-month period ended 30 September 2013 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.