

Bahrain Middle East Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2014 (Reviewed)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF BAHRAIN MIDDLE EAST BANK B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Bahrain Middle East Bank B.S.C. ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2014, comprising of the interim consolidated statement of financial position as at 30 September 2014 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.



5 November 2014
Manama, Kingdom of Bahrain

Bahrain Middle East Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014 (Reviewed)

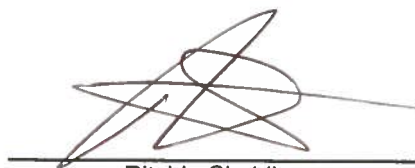
	Note	Reviewed 30 September 2014 US\$ '000	Audited 31 December 2013 US\$ '000
ASSETS			
Balances with banks and financial institutions		9,383	14,338
Placements with financial institutions		27,042	32,384
Trading securities		578	409
Loans and advances	3	116,542	98,008
Available-for-sale investments	4	13,641	17,170
Held-to-maturity investments		235	4,628
Other assets		2,387	2,564
TOTAL ASSETS		169,808	169,501
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from financial institutions		124,831	124,951
Deposits from customers		12,926	10,196
Borrowings	6	-	5,000
Other liabilities		1,049	658
Total liabilities		138,806	140,805
EQUITY			
Share capital		60,501	60,501
Accumulated losses		(32,902)	(36,157)
Fair value reserve		3,403	4,352
Total equity		31,002	28,696
TOTAL LIABILITIES AND EQUITY		169,808	169,501



Wilson S Benjamin
Chairman



Sheikh Abdullah A.K Al Sabah
Vice Chairman



Ritchie Skelding
Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

Bahrain Middle East Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine-month period ended 30 September 2014 (Reviewed)

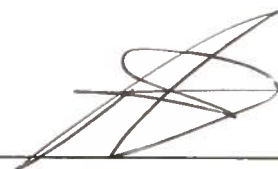
	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2014	2013	2014	2013
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
OPERATING INCOME					
Interest income		2,502	2,329	7,212	9,994
Interest expense		(314)	(295)	(885)	(1,521)
Net interest income		2,188	2,034	6,327	8,473
Investment banking income (loss)	7	371	(543)	2,281	451
Other income		60	59	168	542
Foreign exchange (loss) gain		(14)	188	(72)	(130)
Total operating income		2,605	1,738	8,704	9,336
OPERATING EXPENSES					
Staff expenses		727	834	2,177	2,498
Premises expenses		97	128	352	379
Other operating expenses		299	471	1,090	3,685
Total operating expenses		1,123	1,433	3,619	6,562
NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENT PROVISIONS					
		1,482	305	5,085	2,774
Impairment provisions - net	5	(599)	(1,366)	(1,830)	(6,059)
NET PROFIT (LOSS) FOR THE PERIOD		883	(1,061)	3,255	(3,285)
BASIC AND DILUTED EARNINGS PER SHARE (IN US\$ CENTS)					
		0.36	(0.44)	1.35	(1.36)



Wilson S Benjamin
Chairman



Sheikh Abdullah A.K Al Sabah
Vice Chairman



Ritchie Skelding
Chief Executive Officer

Bahrain Middle East Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2014 (Reviewed)

	<i>Three-month period</i>		<i>Nine-month period</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	2014	2013	2014	2013
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
NET PROFIT (LOSS) FOR THE PERIOD	883	(1,061)	3,255	(3,285)
Other comprehensive (loss) income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Fair value reserves (available-for-sale investments):				
Net amount transferred to statement of income on sale/impairment	(264)	1,612	(1,743)	3,208
Net changes in fair value during the period	(62)	289	794	(1,599)
Total other comprehensive (loss) income for the period	(326)	1,901	(949)	1,609
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	557	840	2,306	(1,676)

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

Bahrain Middle East Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2014 (Reviewed)

	Note	Nine-month period ended 30 September	
		2014	2013
		US\$ '000	US\$ '000
OPERATING ACTIVITIES			
Net profit (loss) for the period		3,255	(3,285)
Adjustments for:			
Impairment provisions - net	5	1,830	6,059
Depreciation and amortisation		57	69
Gain on disposal of premises and equipment		-	(8)
Changes in operating assets and liabilities:			
Placements with financial institutions		5,750	(6,300)
Trading securities		(169)	17
Loans and advances		(19,246)	(86,581)
Available-for-sale investments		1,462	(1,152)
Held-to-maturity investments		4,393	2
Other assets		120	(943)
Deposits from financial institutions		(120)	118,690
Deposits from customers		2,730	464
Other liabilities		391	(1,274)
Net cash from operating activities		453	25,758
INVESTING ACTIVITIES			
Purchase of premises and equipment		-	(97)
Proceeds from disposal of premises and equipment		-	56
Net cash used in investing activities		-	(41)
FINANCING ACTIVITY			
Repayment of borrowings		(5,000)	(3,389)
Net cash used in financing activity		(5,000)	(3,389)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(4,547)	22,328
Cash and cash equivalents at 1 January		37,972	6,318
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		33,425	28,646
CASH AND CASH EQUIVALENTS COMPRISE:			
Balances with banks and financial institutions		9,383	11,941
Placements with financial institutions with original maturities of 90 days or less		24,042	16,705
		33,425	28,646

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

Bahrain Middle East Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2014 (Reviewed)

	<i>Share capital US\$ '000</i>	<i>Legal reserve US\$ '000</i>	<i>Accumulated losses US\$ '000</i>	<i>Fair value reserve US\$ '000</i>	<i>Total equity US\$ '000</i>
Balance at 1 January 2014	60,501	-	(36,157)	4,352	28,696
Total comprehensive income (loss) for the period	-	-	3,255	(949)	2,306
Balance at 30 September 2014	60,501	-	(32,902)	3,403	31,002
Balance at 1 January 2013	60,501	17,545	(49,045)	1,444	30,445
Total comprehensive (loss) income for the period	-	-	(3,285)	1,609	(1,676)
Balance at 30 September 2013	60,501	17,545	(52,330)	3,053	28,769

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2014 (Reviewed)

1 INCORPORATION AND ACTIVITIES

Bahrain Middle East Bank B.S.C. ("the Bank") is a Bahraini Shareholding Company incorporated in the Kingdom of Bahrain. On 9 April 2007, the Central Bank of Bahrain ("the CBB") issued a Conventional Wholesale Banking license to the Bank. The commercial registration ("CR") number of the Bank is 12266. The Bank is listed on the Bahrain Bourse under the ticker 'BMB'. The principal activities of the Bank and its subsidiaries (together "the Group") are trade finance and corporate advisory in the digital media and e-commerce sectors.

The registered office of the Bank is BMB Centre, Building 135, Road 1702, Block 317, Diplomatic Area, Manama, Kingdom of Bahrain.

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 5 November 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2014 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 2013. In addition, results for the nine-month period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

2.2 Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiaries after elimination of inter company transactions and balances.

2.3 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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014 that are applicable to the Group.

The nature and the impact of each new amendment applicable to the Group is described below:

IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments which combines classification and measurement, the expected credit loss impairment model and hedge accounting. This new standard will eventually replace IAS 39 and all previous versions of IFRS 9. Application is required for annual periods beginning on or after 1 January 2018, but early adoption is permitted.

The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets. Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash-flow characteristics. Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. The impairment requirements in the new standard are based on an expected credit loss model and replace the IAS 39 incurred loss model. The new hedge accounting model significantly differs from IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instrument and hedged item, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and disconnection of hedging relationships etc.

The Group is currently evaluating the impact of the Standard.

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities of the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

3 LOANS AND ADVANCES

	<i>Reviewed</i> 30 September 2014 US\$ '000	<i>Audited</i> 31 December 2013 US\$ '000
Trade finance	109,359	90,039
Installment sale receivable (refer note 8)	7,876	7,876
Others	1,069	1,170
	118,304	99,085
Less: Provision for loan losses	(1,762)	(1,077)
	116,542	98,008

The breakup of provision for loan losses is as follows:

	<i>Reviewed</i> 30 September 2014 US\$ '000	<i>Audited</i> 31 December 2013 US\$ '000
Specific provision	546	-
Collective provision	1,216	1,077
	1,762	1,077

4 AVAILABLE - FOR - SALE INVESTMENTS

	<i>Reviewed</i> 30 September 2014 US\$ '000	<i>Audited</i> 31 December 2013 US\$ '000
Unquoted equity fund investments	12,852	16,491
Unquoted strategic investments	678	679
Quoted investments	111	-
	13,641	17,170

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014 (Reviewed)

5 IMPAIRMENT PROVISIONS

	30 September 2014 (Reviewed)			
	Loans and advances US\$ '000	Available- for-sale investments US\$ '000	Others US\$ '000	Total US\$ '000
At 1 January 2014	1,077	16,018	1,907	19,002
Charge for the period	712	1,118	-	1,830
Written-off	-	(82)	(1,907)	(1,989)
Exchange and other movements	(27)	(169)	-	(196)
At 30 September 2014	1,762	16,885	-	18,647

	30 September 2013 (Reviewed)			
	Loans and advances US\$ '000	Available- for-sale investments US\$ '000	Others US\$ '000	Total US\$ '000
At 1 January 2013	212	8,995	-	9,207
Charge for the period	933	5,126	-	6,059
Written-off	(68)	(450)	-	(518)
At 30 September 2013	1,077	13,671	-	14,748
At 31 December 2013	1,077	16,018	1,907	19,002

6 BORROWINGS

The borrowings, representing a loan from a counterparty at a fixed interest rate, have been fully repaid during the period.

7 INVESTMENT BANKING INCOME

	Reviewed 30 September 2014 US\$ '000	Reviewed 30 September 2013 US\$ '000
Net gain from available-for-sale investments	1,859	672
Fee and commission income	715	41
Net loss from trading securities	(74)	(262)
Net loss on sale of held-to-maturity investment	(219)	-
	2,281	451

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014 (Reviewed)

8 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Bank exercises significant influence, major shareholders, directors, key management personnel of the Bank and entities owned, controlled, jointly controlled or significantly influenced by such parties.

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Board of Directors, Chief Executive Officer, Chief Financial Officer and Heads of Departments. Transactions entered during the period and balances at the period-end are set out below.

	<i>Key management</i>		<i>Other related parties</i>	
	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Loans	11	18	-	-
Deposits	-	-	114	148
Other liabilities - post-employment benefits	27	38	-	-

Key management compensation

Compensation to key management personnel, including directors, included in the consolidated statement of income is as follows:

	<i>Reviewed</i>	<i>Reviewed</i>
	<i>30 September</i>	<i>30 September</i>
	<i>2014</i>	<i>2013</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Salaries and other short-term employee benefits	1,488	1,080
Post-employment benefits	21	57
	1,509	1,137
Directors' fees	60	77

Guarantee

The Bank has received a corporate guarantee from Al Fawares Holding Co. ("Al Fawares") with regard to the Bank's installment sale receivable. During the period, to further secure the installment sale receivable, the Bank has obtained an additional guarantee from Lotus Investment and Real Estate Company (which has the same ultimate ownership as Al Fawares). This additional guarantee is secured by real estate in the Arab Republic of Egypt (registration of the security is in process).

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014 (Reviewed)

9 SEGMENT RESULTS

Segment information

For management purposes, the Group is organised into three major business segments:

Financing	- Financing and trade finance
Investing	- Investments in listed bonds, equities and private equity funds
Other operating segments	- Corporate advisory and building management etc.

The Group's business segments are broken down by key business activities and those with clearly identifiable revenue streams and expenses. The segmentation is in line with segments internally reported to the Chief Executive Officer, who is the chief decision maker.

Segment information for the period ended 30 September 2014 is as follows:

	<i>Nine-month period ended 30 September 2014 (Reviewed)</i>			
	<i>Financing</i>	<i>Investing</i>	<i>Others</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income	7,019	193	-	7,212
Interest expense	(885)	-	-	(885)
Investment banking income	-	1,566	715	2,281
Other income	-	-	168	168
Results from operations	6,134	1,759	883	8,776
Unallocated foreign exchange loss	-	-	(72)	(72)
Unallocated corporate expenses	-	-	(3,619)	(3,619)
Impairment provisions - net (note 5)	(712)	(1,118)	-	(1,830)
Net profit (loss) for the period	5,422	641	(2,808)	3,255
Reportable segment assets	152,967	14,454	2,387	169,808
Reportable segment liabilities	137,757	-	1,049	138,806
Equity	-	-	-	31,002
Total liabilities and equity				169,808

	<i>Nine-month period ended 30 September 2013 (Reviewed)</i>			
	<i>Financing</i>	<i>Investing</i>	<i>Others</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income	9,588	406	-	9,994
Interest expense	(1,508)	-	(13)	(1,521)
Investment banking income	-	410	41	451
Other income	-	-	542	542
Results from operations	8,080	816	570	9,466
Unallocated foreign exchange loss	-	-	(130)	(130)
Unallocated corporate expenses	-	-	(6,562)	(6,562)
Impairment provisions - net	(933)	(5,126)	-	(6,059)
Net profit (loss) for the period	7,147	(4,310)	(6,122)	(3,285)
Reportable segment assets	141,550	24,221	2,309	168,080
Reportable segment liabilities	138,243	-	1,068	139,311
Equity	-	-	-	28,769
Total liabilities and equity				168,080

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2014 (Reviewed)

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are accounted for under the historical cost convention except for the measurement at fair value of available-for-sale investments and trading securities. Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between the book amounts and the fair value estimates.

The table below compares the estimated fair values of financial assets not measured at fair value with their respective carrying amounts as of 30 September 2014.

	30 September 2014 (Reviewed)		
	Carrying value US\$ '000	Fair value US\$ '000	Under carrying value US\$ '000
Assets			
Held-to-maturity investments	235	44	(191)
Loans and advances	116,542	116,542	-
Net shortfall of fair value over carrying value			(191)

	31 December 2013 (Audited)		
	Carrying value US\$ '000	Fair value US\$ '000	Under carrying value US\$ '000
Assets			
Held-to-maturity investments	4,628	3,763	(865)
Loans and advances	98,008	98,008	-
Net shortfall of fair value over carrying value			(865)

The total shortfall in fair value of US\$ 191 thousand (31 December 2013: US\$ 865 thousand) is not relevant except in a forced sale situation since the Bank has the intention to hold held-to-maturity investments until maturity when it would recover full nominal amounts.

The fair value of held-to-maturity investments is based on last quoted market prices at the reporting date or on the present value of future cash flows.

The fair value of the loans and advances is shown at amortised cost, which approximates the value calculated using the discounted cash flow method.

No fair value adjustment is appropriate for off-balance sheet financial instruments with contractual amounts representing credit risk as specific provisions are made in respect of individual transactions where a potential loss, if any, has been identified.

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014 (Reviewed)

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation techniques based on observable inputs, either directly or indirectly. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation (i.e. net asset value received from administrator / fund managers).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

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

	<i>30 September 2014 (Reviewed)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Trading securities	578	-	-	578
Available-for-sale investments	111	-	13,530	13,641
Total	689	-	13,530	14,219
	<i>31 December 2013 (Audited)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Trading securities	409	-	-	409
Available-for-sale investments	-	-	17,170	17,170
Total	409	-	17,170	17,579

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014 (Reviewed)

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Movements in level 3 fair value hierarchy of investments:

	Reviewed 30 September 2014 US\$ '000	<i>Audited</i> <i>31 December</i> <i>2013</i> <i>US\$ '000</i>
At 1 January	17,170	21,538
Net fair value movement	716	(1,056)
Additions	403	4,025
Exits (at cost)	(1,756)	(3,373)
Fair value transferred to statement of income on disposals / impairment	(3,003)	(3,964)
	<u>13,530</u>	<u>17,170</u>

Level 3 available-for-sale investments represent private equity funds where the underlying fund managers exercise judgements in valuation of investments.

During the period, there were no transfers between Level 1 and Level 2 fair value hierarchy, and no transfers into and out of Level 3 fair value hierarchy.

The following table shows an analysis of financial instruments not measured at fair value by level of the fair value hierarchy:

	30 September 2014 (Reviewed)			Total fair	Total
	Level 1	Level 2	Level 3	values	carrying
	US\$'000	US\$'000	US\$'000	US\$'000	amount
				US\$'000	US\$'000
Assets					
Balances with banks and financial institutions	9,383	-	-	9,383	9,383
Placements with financial institutions	27,042	-	-	27,042	27,042
Loans and advances	-	-	116,542	116,542	116,542
Held-to-maturity investments	-	-	44	44	235
Other assets	-	-	2,282	2,282	2,282
Liabilities					
Deposits from financial institutions	124,831	-	-	124,831	124,831
Deposits from customers	-	-	12,926	12,926	12,926
Other liabilities	-	-	1,049	1,049	1,049

Bahrain Middle East Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2014 (Reviewed)

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	31 December 2013 (Audited)			Total fair values US\$'000	Total carrying amount US\$'000
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000		
Assets					
Balances with banks and financial institutions	14,338	-	-	14,338	14,338
Placements with financial institutions	32,384	-	-	32,384	32,384
Loans and advances	-	-	98,008	98,008	98,008
Held-to-maturity investments	3,719	-	44	3,763	4,628
Other assets	-	-	2,247	2,247	2,247
Liabilities					
Deposits from financial institution	124,951	-	-	124,951	124,951
Deposits from customers	-	-	10,196	10,196	10,196
Borrowings	-	-	5,000	5,000	5,000
Other liabilities	-	-	300	300	300

11 COMMITMENTS AND CONTINGENT LIABILITIES

The outstanding contingent items and commitments are as follows:

	Reviewed 30 September 2014 US\$ '000	Audited 31 December 2013 US\$ '000
Undrawn investment commitments in equity funds	6,477	6,449
Other commitments	2,733	2,736
Funds under management	16,112	18,356

12 COMPARTIVE FIGURES

Certain prior period amounts have been regrouped to conform to the presentation in the current period. Such regrouping did not impact the equity or profit or loss of the Group which was previously reported.