

**Bahrain Middle East Bank B.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 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 June 2014, comprising of the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-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***

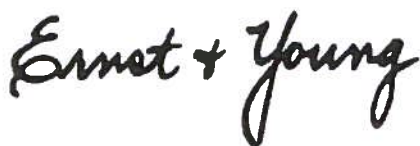
We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

### ***Other Matters***

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2013 were reviewed by another auditor who expressed an unmodified review conclusion dated 5 August 2013 on those interim condensed consolidated financial statements.



7 August 2014  
Manama, Kingdom of Bahrain

# Bahrain Middle East Bank B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014 (Reviewed)

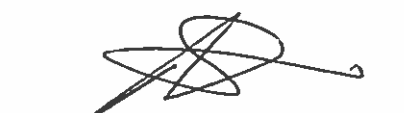
		<i>Reviewed</i> <b>30 June</b> <i>2014</i> <b>US\$ '000</b>	<i>Audited</i> <b>31 December</b> <i>2013</i> <b>US\$ '000</b>
<b>ASSETS</b>			
Balances with banks and financial institutions		<b>18,322</b>	14,338
Placements with financial institutions		<b>23,049</b>	32,384
Trading securities		<b>341</b>	409
Loans and advances	3	<b>109,051</b>	98,008
Available-for-sale investments	4	<b>14,465</b>	17,170
Held-to-maturity investments		<b>248</b>	4,628
Other assets		<b>2,156</b>	2,564
<b>TOTAL ASSETS</b>		<b>167,632</b>	<b>169,501</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from financial institutions		<b>125,293</b>	124,951
Deposits from customers		<b>11,092</b>	10,196
Borrowings	6	<b>-</b>	5,000
Other liabilities		<b>802</b>	658
<b>Total liabilities</b>		<b>137,187</b>	<b>140,805</b>
<b>EQUITY</b>			
Share capital		<b>60,501</b>	60,501
Accumulated losses		<b>(33,785)</b>	(36,157)
Fair value reserve		<b>3,729</b>	4,352
<b>Total equity</b>		<b>30,445</b>	<b>28,696</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>167,632</b>	<b>169,501</b>



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 six-month period ended 30 June 2014 (Reviewed)

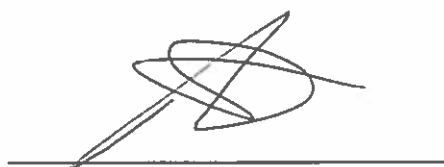
	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2014 US\$ '000	2013 US\$ '000	2014 US\$ '000	2013 US\$ '000
<b>OPERATING INCOME</b>					
Interest income		2,395	6,350	4,710	7,665
Interest expense		(309)	(507)	(571)	(1,226)
<b>Net interest income</b>		<b>2,086</b>	<b>5,843</b>	<b>4,139</b>	<b>6,439</b>
Investment banking income	7	981	1,038	1,910	994
Other income		53	412	108	483
Foreign exchange (loss) gain		(53)	183	(58)	(318)
<b>Total operating income</b>		<b>3,067</b>	<b>7,476</b>	<b>6,099</b>	<b>7,598</b>
<b>OPERATING EXPENSES</b>					
Staff expenses		732	831	1,450	1,664
Premises expenses		143	126	255	251
Other operating expenses		279	2,647	791	3,214
<b>Total operating expenses</b>		<b>1,154</b>	<b>3,604</b>	<b>2,496</b>	<b>5,129</b>
<b>NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENT PROVISIONS</b>					
		1,913	3,872	3,603	2,469
Impairment provisions - net	5	(1,064)	(70)	(1,231)	(4,693)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>849</b>	<b>3,802</b>	<b>2,372</b>	<b>(2,224)</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (IN US\$ CENTS)</b>					
		0.35	1.57	0.98	(0.92)



Wilson S Benjamin  
Chairman



Sheikh Abdulrah 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 COMPREHENSIVE INCOME

For the six-month period ended 30 June 2014 (Reviewed)

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>849</b>	<b>3,802</b>	<b>2,372</b>	<b>(2,224)</b>
<b>Other comprehensive (loss) income:</b>				
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	<b>(1,020)</b>	<b>(400)</b>	<b>(1,479)</b>	<b>1,596</b>
Net changes in fair value during the period	<b>335</b>	<b>(212)</b>	<b>856</b>	<b>(1,888)</b>
<b>Total other comprehensive loss for the period</b>	<b>(685)</b>	<b>(612)</b>	<b>(623)</b>	<b>(292)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>164</b>	<b>3,190</b>	<b>1,749</b>	<b>(2,516)</b>

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 six-month period ended 30 June 2014 (Reviewed)

	Note	Six-month period ended 30 June	
		2014	2013
		US\$ '000	US\$ '000
<b>OPERATING ACTIVITIES</b>			
Net profit (loss) for the period		2,372	(2,224)
Adjustments for:			
Impairment provisions - net	5	1,231	4,693
Depreciation and amortisation		38	49
Gain on disposal of premises and equipment		-	(8)
Changes in operating assets and liabilities:			
Placements with financial institutions		5,750	(8,300)
Trading securities		68	437
Loans and advances		(11,483)	(83,927)
Available-for-sale investments		1,291	(2,664)
Held-to-maturity investments		4,380	15
Other assets		370	(1,090)
Deposits from financial institutions		342	121,364
Deposits from customers		896	704
Other liabilities		144	(350)
Net cash from operating activities		5,399	28,699
<b>INVESTING ACTIVITIES</b>			
Purchase of premises and equipment		-	(75)
Proceeds from disposal of premises and equipment		-	54
Net cash used in investing activities		-	(21)
<b>FINANCING ACTIVITY</b>			
Repayment of borrowings		(5,000)	(1,389)
Net cash used in financing activity		(5,000)	(1,389)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>399</b>	<b>27,289</b>
Cash and cash equivalents at 1 January		37,972	2,318
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<b>38,371</b>	<b>29,607</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Balances with banks and financial institutions		18,322	29,607
Placements with financial institutions with original maturities of 90 days or less		20,049	-
		<b>38,371</b>	<b>29,607</b>

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 six-month period ended 30 June 2014 (Reviewed)

	<i>Share capital</i> US\$ '000	<i>Legal reserve</i> US\$ '000	<i>Accumulated losses</i> US\$ '000	<i>Fair Value reserve</i> US\$ '000	<i>Total equity</i> US\$ '000
Balance at 1 January 2014	60,501	-	(36,157)	4,352	28,696
Total comprehensive income (loss) for the period	-	-	2,372	(623)	1,749
<b>Balance at 30 June 2014</b>	<b>60,501</b>	<b>-</b>	<b>(33,785)</b>	<b>3,729</b>	<b>30,445</b>
Balance at 1 January 2013	60,501	17,545	(49,045)	1,444	30,445
Total comprehensive loss for the period	-	-	(2,224)	(292)	(2,516)
<b>Balance at 30 June 2013</b>	<b>60,501</b>	<b>17,545</b>	<b>(51,269)</b>	<b>1,152</b>	<b>27,929</b>

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 JUNE 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 Bank has a legacy portfolio of private equity investments.

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 7 August 2014.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 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 six-month period ended 30 June 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:

##### *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.



# Bahrain Middle East Bank B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2014 (Reviewed)

### 3 LOANS AND ADVANCES

	<i>Reviewed</i> 30 June 2014 US\$ '000	<i>Audited</i> 31 December 2013 US\$ '000
Trade finance	101,533	90,039
Installment sale receivable (refer note 8)	7,876	7,876
Others	1,159	1,170
	<u>110,568</u>	<u>99,085</u>
Less: Provision for loan losses	(1,517)	(1,077)
	<u>109,051</u>	<u>98,008</u>

The breakup of provision for loan losses is as follows:

	<i>Reviewed</i> 30 June 2014 US\$ '000	<i>Audited</i> 31 December 2013 US\$ '000
Specific provision	290	-
Collective provision	1,227	1,077
	<u>1,517</u>	<u>1,077</u>

### 4 AVAILABLE - FOR - SALE INVESTMENTS

	<i>Reviewed</i> 30 June 2014 US\$ '000	<i>Audited</i> 31 December 2013 US\$ '000
Unquoted equity fund investments	13,688	16,491
Unquoted strategic investments	679	679
Quoted investments	98	-
	<u>14,465</u>	<u>17,170</u>

### 5 IMPAIRMENT PROVISIONS

	<u>30 June 2014 (Reviewed)</u>			
	<i>Loans and advances</i> US\$ '000	<i>Available- for-sale investments</i> US\$ '000	<i>Others</i> US\$ '000	<i>Total</i> US\$ '000
At 1 January 2014	1,077	16,018	1,907	19,002
Charge for the period	439	792	-	1,231
Written-off	-	(82)	(1,907)	(1,989)
Exchange and other movements	1	7	-	8
At 30 June 2014	<u>1,517</u>	<u>16,735</u>	<u>-</u>	<u>18,252</u>

# Bahrain Middle East Bank B.S.C.

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

### 5 IMPAIRMENT PROVISIONS (continued)

	31 December 2013 (Audited)			
	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	934	7,456	1,907	10,297
Written-off	(69)	(433)	-	(502)
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 June 2014 US\$ '000	Reviewed 30 June 2013 US\$ '000
Net gain from available-for-sale investments	1,595	1,150
Fee and commission income	602	62
Net loss from trading securities	(68)	(218)
Net loss on sale of held-to-maturity investment	(219)	-
	<b>1,910</b>	<b>994</b>

### 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.

	Key management		Other related parties	
	Reviewed 30 June 2014 US\$ '000	Audited 31 December 2013 US\$ '000	Reviewed 30 June 2014 US\$ '000	Audited 31 December 2013 US\$ '000
Loans	13	18	-	-
Deposits	-	-	104	148
Other liabilities - post-employment benefits	23	38	-	-

# Bahrain Middle East Bank B.S.C.

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

### 8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### Key management compensation

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

	<i>Reviewed</i> 30 June 2014 US\$ '000	<i>Reviewed</i> 30 June 2013 US\$ '000
Salaries and other short-term employee benefits	1,122	336
Post-employment benefits	17	13
	<u>1,139</u>	<u>349</u>
Directors' fees	<u>39</u>	<u>65</u>

#### 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.

### 9 SEGMENT RESULTS

#### Segment information

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

<b>Financing</b>	- Financing and trade finance
<b>Investing</b>	- Investments in listed bonds, equities and private equity funds
<b>Other operating segments</b>	- 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 June 2014 is as follows:

	<i>Six-month period ended 30 June 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	4,517	193	-	4,710
Interest expense	(571)	-	-	(571)
Investment banking income	-	1,308	602	1,910
Other income	-	-	108	108
Results from operations	<u>3,946</u>	<u>1,501</u>	<u>710</u>	<u>6,157</u>
Unallocated foreign exchange loss	-	-	(58)	(58)
Unallocated corporate expenses	-	-	(2,496)	(2,496)
Impairment provisions - net (note 5)	(439)	(792)	-	(1,231)
<b>Net profit for the period</b>	<u>3,507</u>	<u>709</u>	<u>(1,844)</u>	<u>2,372</u>
<b>Reportable segment assets</b>	<u>150,422</u>	<u>15,054</u>	<u>2,156</u>	<u>167,632</u>
<b>Reportable segment liabilities</b>	125,293	-	11,894	137,187
<b>Equity</b>	-	-	-	30,445
<b>Total liabilities and equity</b>				<u>167,632</u>

# Bahrain Middle East Bank B.S.C.

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

### 9 SEGMENT RESULTS (continued)

	<i>Six-month period ended 30 June 2013 (Reviewed)</i>			
	<i>Financing</i>	<i>Investing</i>	<i>Other</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income	7,495	170	-	7,665
Interest expense	(1,217)	-	(9)	(1,226)
Investment banking income	-	932	62	994
Other income	-	-	483	483
Results from operations	6,278	1,102	536	7,916
Unallocated foreign exchange loss	-	-	(318)	(318)
Unallocated corporate expenses	-	-	(5,129)	(5,129)
Impairment provisions - net	(839)	(3,854)	-	(4,693)
Net profit (loss) for the period	5,439	(2,752)	(4,911)	(2,224)
Reportable segment assets	144,730	22,207	2,564	169,501
Reportable segment liabilities	129,951	-	10,854	140,805
Equity	-	-	-	28,696
Total liabilities and equity				169,501

### 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 June 2014.

	<i>30 June 2014 (Reviewed)</i>		
	<i>Carrying value</i>	<i>Fair value</i>	<i>Under carrying value</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Assets</b>			
Held-to-maturity investments	248	44	(204)
Loans and advances	109,051	109,051	-
<b>Net shortfall of fair value over carrying value</b>			<b>(204)</b>

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

**10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The total shortfall in fair value of US\$ 204 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.

**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:

	30 June 2014 (Reviewed)			Total US\$ '000
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	
Trading securities	341	-	-	341
Available-for-sale investments	98	-	14,367	14,465
<b>Total</b>	<b>439</b>	<b>-</b>	<b>14,367</b>	<b>14,806</b>
	31 December 2013 (Audited)			Total US\$ '000
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	
Trading securities	409	-	-	409
Available-for-sale investments	-	-	17,170	17,170
<b>Total</b>	<b>409</b>	<b>-</b>	<b>17,170</b>	<b>17,579</b>

# Bahrain Middle East Bank B.S.C.

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

### 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

Movements in level 3 fair value hierarchy of investments:

	<i>Reviewed</i> 30 June 2014 US\$ '000	<i>Audited</i> 31 December 2013 US\$ '000
At 1 January	17,170	21,538
Net fair value movement	791	(1,056)
Additions	272	4,025
Exits (at cost)	(1,578)	(3,373)
Fair value transferred to statement of income on disposals / impairment	(2,288)	(3,964)
	<b>14,367</b>	<b>17,170</b>

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 June 2014 (Reviewed)

	<i>US\$'000</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair values</i>	<i>Total carrying amount</i>
<b>Assets</b>					
Balances with banks and financial institutions	18,322	-	-	18,322	18,322
Placements with financial institutions	23,049	-	-	23,049	23,049
Loans and advances	-	-	109,051	109,051	109,051
Held-to-maturity investments	-	-	44	44	248
Other assets	-	-	1,962	1,962	1,962
<b>Liabilities</b>					
Deposits from financial institutions	125,293	-	-	125,293	125,293
Deposits from customers	-	-	11,092	11,092	11,092
Other liabilities	-	-	802	802	802

#### 31 December 2013 (Audited)

	<i>US\$'000</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair values</i>	<i>Total carrying amount</i>
<b>Assets</b>					
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
<b>Liabilities</b>					
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:

	<i>Reviewed</i> <b>30 June</b> <b>2014</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2013</b> <i>US\$ '000</i>
Undrawn investment commitments in equity funds	<b>6,452</b>	6,449
Other commitments	<b>2,733</b>	2,736
Funds under management	<b>16,873</b>	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.