

**Bahrain Middle East Bank B.S.C.**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**31 MARCH 2018 (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 31 March 2018, comprising of the interim condensed consolidated statement of financial position as at 31 March 2018 and the related interim condensed consolidated statements of comprehensive income, cash flows and changes in equity for the three-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.



3 May 2018  
Manama, Kingdom of Bahrain

# Bahrain Middle East Bank B.S.C.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018 (Reviewed)

	Note	<i>Reviewed</i> <b>31 March</b> <b>2018</b> <b>US\$ '000</b>	<i>Audited</i> <b>31 December</b> <b>2017</b> <b>US\$ '000</b>
<b>ASSETS</b>			
Balances with banks and financial institutions		<b>15,453</b>	30,023
Treasury bills and placements with financial institutions		<b>53,443</b>	50,061
Investment securities	3	<b>36,545</b>	23,456
Loans and advances	4	<b>142,510</b>	138,714
Other assets		<b>4,932</b>	3,385
<b>TOTAL ASSETS</b>		<b>252,883</b>	<b>245,639</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to financial institutions		<b>156,200</b>	154,064
Due to customers		<b>2,916</b>	3,124
Borrowings	5	<b>8,616</b>	4,810
Other liabilities		<b>1,555</b>	1,859
<b>Total liabilities</b>		<b>169,287</b>	<b>163,857</b>
<b>EQUITY</b>			
Share capital		<b>100,000</b>	100,000
Accumulated losses		<b>(16,404)</b>	(18,218)
<b>Total equity</b>		<b>83,596</b>	<b>81,782</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>252,883</b>	<b>245,639</b>



Wilson S Benjamin  
Chairman



Murat Solak  
Vice Chairman



Korhan Alev  
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 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2018 (Reviewed)

	Note	Three-month period ended 31 March	
		2018 US\$ '000	Restated 2017 US\$ '000
<b>OPERATING INCOME</b>			
Interest income		3,907	2,813
Interest expense		(192)	(63)
<b>Net interest income</b>		<b>3,715</b>	<b>2,750</b>
Loss on investment securities		(340)	(82)
Fee and commission income		46	25
Other income		63	34
Foreign exchange gain		56	14
<b>Total operating income</b>		<b>3,540</b>	<b>2,741</b>
<b>OPERATING EXPENSES</b>			
Staff expenses		737	963
Premises expenses		149	84
Other operating expenses		437	289
<b>Total operating expenses</b>		<b>1,323</b>	<b>1,336</b>
<b>NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENT ALLOWANCE</b>			
		<b>2,217</b>	<b>1,405</b>
Impairment (allowance) / write back - net	6	(403)	52
<b>NET PROFIT FOR THE PERIOD</b>		<b>1,814</b>	<b>1,457</b>
Other comprehensive income for the period		-	-
<b>NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,814</b>	<b>1,457</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (IN US\$ CENTS)</b>			
		<b>0.45</b>	<b>0.60</b>



Wilson S Benjamin  
Chairman



Murat Solak  
Vice Chairman



Korhan Alev  
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 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2018 (Reviewed)

	Note	Three-month period ended 31 March	
		2018 US\$ '000	Restated 2017 US\$ '000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		1,814	1,457
Adjustments for:			
Impairment allowance - net (excluding on cash and cash equivalents)	6	(3)	(52)
Depreciation and amortisation		36	9
Changes in operating assets and liabilities:			
Investment securities		(13,089)	478
Loans and advances		(3,793)	(7,772)
Other assets		(1,583)	(177)
Due to financial institutions		2,136	106
Due to customers		(208)	(4,208)
Borrowings		3,806	-
Other liabilities		(304)	(674)
Net cash used in operating activities		(11,188)	(10,833)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(11,188)</b>	<b>(10,833)</b>
Cash and cash equivalents at 1 January		80,084	44,581
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>		<b>68,896</b>	<b>33,748</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Balances with banks and financial institutions		15,453	20,490
Treasury bills and placements with financial institutions with original maturities of three months or less		53,443	13,258
		<b>68,896</b>	<b>33,748</b>

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

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

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2018 (Reviewed)

	<i>Share capital US\$ '000</i>	<i>Accumulated losses US\$ '000</i>	<i>Total equity US\$ '000</i>
Balance at 1 January 2018	100,000	(18,218)	81,782
Total comprehensive income for the period	-	1,814	1,814
<b>Balance at 31 March 2018</b>	<b>100,000</b>	<b>(16,404)</b>	<b>83,596</b>
Balance at 1 January 2017 (Restated)	60,501	(23,418)	37,083
Total comprehensive income for the period (Restated)	-	1,457	1,457
Balance at 31 March 2017	60,501	(21,961)	38,540

# Bahrain Middle East Bank B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (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'. AN Investment W.L.L., a limited liability company incorporated in the Kingdom of Bahrain, is the Parent company of the Bank. The principal activities of the Bank and its subsidiaries (together "the Group") are trade finance, corporate advisory and asset management services.

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 3 May 2018.

### 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2018 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 2017. In addition, results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

#### *Restatement of comparatives due to application of IFRS 9*

The comparative figures in the interim consolidated statement of income, comprehensive income, cash flows and changes in equity for the three-month period ended 31 March 2017, have been restated since the Group early adopted IFRS 9 for the year ended 31 December 2017, with a date of initial application of 1 January 2017.

The early adoption in 2017 required that the comparative information for interim periods of 2017 be restated. The restatement information is set out below:

	<i>Previously reported US\$ '000</i>	<i>Restatement US\$ '000</i>	<i>As reported herein US\$ '000</i>
<b>Interim condensed consolidated statement of income</b>			
Loss on investment securities	(43)	(39)	(82)
Impairment (allowance) / write back - net	(39)	91	52
Net profit for the period	1,405	52	1,457
<b>Interim condensed consolidated statement of comprehensive income</b>			
Total other comprehensive loss for the period	(917)	917	-
Total comprehensive income for the period	488	969	1,457

#### **Interim condensed consolidated statement of cash flows**

There were insignificant changes in certain line items of the statement of cash flows as a result of restatement. However, there was no change in 'Total cash used in operating activities' balance.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES****2.2 Significant accounting policies**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2018.

The below new relevant standards and amendments apply for the first time in 2018. However, they do not have a material impact on the interim condensed consolidated financial statements of the Group:

- IFRS 7(Revised) *Financial instrument: Disclosures (IFRS 7R)*
- IFRS 15 *Revenue from contracts with customers (IFRS 15)*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, such as *IFRS 16 Leases*.

**3 INVESTMENT SECURITIES**

	<b>31 March 2018 (Reviewed)</b>		
	<i>Fair value through profit or loss US\$ '000</i>	<i>Amortised cost US\$ '000</i>	<i>Total US\$ '000</i>
<b>Quoted investments</b>			
Sovereign bonds	12,998	-	12,998
Other bonds and debt securities	2,987	-	2,987
Equities	416	-	416
	<b>16,401</b>	<b>-</b>	<b>16,401</b>
<b>Unquoted investments</b>			
Other bonds and debt securities	-	17,000	17,000
Managed funds	3,148	-	3,148
	<b>3,148</b>	<b>17,000</b>	<b>20,148</b>
	<b>19,549</b>	<b>17,000</b>	<b>36,549</b>
Less: Allowance for impairment	-	(4)	(4)
<b>Balance at 31 March 2018</b>	<b>19,549</b>	<b>16,996</b>	<b>36,545</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

## 3 INVESTMENT SECURITIES (continued)

	31 December 2017 (Audited)		
	Fair value through profit or loss US\$ '000	Amortised cost US\$ '000	Total US\$ '000
<b>Quoted investments</b>			
Sovereign bonds	5,988	-	5,988
Other bonds and debt securities	2,818	-	2,818
Equities	394	-	394
	<u>9,200</u>	<u>-</u>	<u>9,200</u>
<b>Unquoted investments</b>			
Other bonds and debt securities	-	11,000	11,000
Managed funds	3,260	-	3,260
	<u>3,260</u>	<u>11,000</u>	<u>14,260</u>
	12,460	11,000	23,460
Less: Allowance for impairment	-	(4)	(4)
<b>Balance at 31 December 2017</b>	<u>12,460</u>	<u>10,996</u>	<u>23,456</u>

Sovereign bonds held by the Group amounting to US\$ 9,667 thousand (31 December 2017: US\$ 5,988 thousand) are pledged to a local financial institution (refer note 5).

## 4 LOANS AND ADVANCES

	Reviewed 31 March 2018 US\$ '000	Audited 31 December 2017 US\$ '000
Trade finance	140,913	137,420
Installment sale receivable (refer note 7)	3,533	3,533
Corporate loans	3,300	3,000
	<u>147,746</u>	<u>143,953</u>
Less: Allowance for impairment	(5,236)	(5,239)
	<u>142,510</u>	<u>138,714</u>

Installment sale receivable relates to a sale agreement entered by the Bank to sell its investment in a piece of land in the State of Kuwait on an installment sale basis. The loan is secured by corporate guarantees from a shareholder and additional guarantee from two associates of the shareholder. This loan is non-performing (Stage 3) and has been fully provided for.

Movements in allowance for impairment are as follows:

	31 March 2018 (Reviewed)			
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit-impaired US\$ '000	Stage 3: Lifetime ECL credit-impaired US\$ '000	Total ECL US\$ '000
Balance at 1 January 2018	1,159	547	3,533	5,239
Net remeasurement of loss allowance	38	(41)	-	(3)
<b>Balance at 31 March 2018</b>	<u>1,197</u>	<u>506</u>	<u>3,533</u>	<u>5,236</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

**4 LOANS AND ADVANCES (continued)**

	31 December 2017 (Audited)			Total ECL US\$ '000
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	
Balance at 1 January 2017 - on adoption of IFRS 9	1,018	3,153	-	4,171
Transfer to lifetime ECL credit- impaired	-	(1,928)	1,928	-
Net remeasurement of loss allowance	141	(678)	1,605	1,068
<b>Balance at 31 December 2017</b>	<b>1,159</b>	<b>547</b>	<b>3,533</b>	<b>5,239</b>

**5 BORROWINGS**

These represent short term borrowings from a local financial institution for general financing purposes. These mature in second quarter of 2018 and are secured against pledge of investment securities of US\$ 9,667 thousand as of 31 March 2018 (31 December 2017: US\$ 5,988 thousand).

**6 IMPAIRMENT ALLOWANCE**

The impairment allowance recorded in the statement of income is as follows:

	31 March 2018 (Reviewed)			Total ECL US\$ '000
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	
Balances with banks and financial institutions	6	-	-	6
Treasury bills and placements with financial institutions	400	-	-	400
Loans and advances	38	(41)	-	(3)
<b>Total</b>	<b>444</b>	<b>(41)</b>	<b>-</b>	<b>403</b>

	31 March 2017 (Reviewed and Restated)			Total ECL US\$ '000
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	
Balances with banks and financial institutions	14	-	-	14
Treasury bills and placements with financial institutions	1	-	-	1
Loans and advances	25	(92)	-	(67)
<b>Total</b>	<b>40</b>	<b>(92)</b>	<b>-</b>	<b>(52)</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

### 7 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 period-end are set out below:

All related party transactions are on terms equivalent to arm's length transactions and are approved by the Board of Directors.

	<i>Key management personnel</i>		<i>Shareholders and their related parties</i>	
	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 December</i>
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Assets</b>				
Loans and advances	-	-	3,000	3,000
<b>Liabilities</b>				
Deposits	-	-	78	267
Other liabilities - employees leaving indemnity	295	242	-	-
	<i>Three-month period ended (Reviewed)</i>		<i>Three-month period ended (Reviewed)</i>	
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Statement of income</b>				
Interest income	-	-	66	66
Fee and commission income	-	-	-	11

#### Key management compensation

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

	<i>Three month period ended (Reviewed)</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2018</i>	<i>2017</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Salaries and other short-term employee benefits	326	678
Employee leaving indemnity	12	9
	<b>338</b>	<b>687</b>
Directors' fees	<b>26</b>	<b>28</b>

#### Guarantee

The Bank has received a corporate guarantee from a shareholder with regard to the Bank's installment sale receivable (refer note 4), and an additional guarantee from two associates of the shareholder.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

**8 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 31 March 2018 is as follows:

	<i>Three-month period ended 31 March 2018 (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	3,450	457	-	3,907
Interest expense	(175)	(17)	-	(192)
Loss on investment securities	-	(340)	-	(340)
Fee and commission income	-	-	46	46
Other income	-	-	63	63
Foreign exchange gain	-	-	56	56
Results from operations	3,275	100	165	3,540
Impairment allowance - net	(403)	-	-	(403)
<b>Segment profit</b>	<b>2,872</b>	<b>100</b>	<b>165</b>	<b>3,137</b>
Unallocated corporate expenses				(1,323)
<b>Net profit for the period</b>				<b>1,814</b>
<b>Segment assets at 31 March 2018</b>	<b>214,511</b>	<b>37,106</b>	<b>1,266</b>	<b>252,883</b>
<b>Segment liabilities at 31 March 2018</b>	<b>167,838</b>	<b>-</b>	<b>1,449</b>	<b>169,287</b>

Segment information for the period ended 31 March 2017 is as follows:

	<i>Three-month period ended 31 March 2017 (Reviewed and Restated)</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	2,812	1	-	2,813
Interest expense	(63)	-	-	(63)
Loss on investment securities	-	(82)	-	(82)
Fee and commission income	-	-	25	25
Other income	-	-	34	34
Foreign exchange gain	-	-	14	14
Results from operations	2,749	(81)	73	2,741
Impairment write back - net	52	-	-	52
<b>Segment profit (loss)</b>	<b>2,801</b>	<b>(81)</b>	<b>73</b>	<b>2,793</b>
Unallocated corporate expenses				(1,336)
<b>Net profit for the period</b>				<b>1,457</b>
<b>Segment assets as at 31 December 2017</b>	<b>221,096</b>	<b>23,622</b>	<b>921</b>	<b>245,639</b>
<b>Segment assets as at 31 December 2017</b>	<b>162,111</b>	<b>-</b>	<b>1,746</b>	<b>163,857</b>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

**9 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 investments at fair value through profit or loss. 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.

**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 the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value:

<i>Three-month period ended 31 March 2018 (Reviewed)</i>					
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair values</i>	<i>Total carrying amount</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b><i>Financial assets measured at fair value:</i></b>					
Investment securities	16,397	-	3,148	19,545	19,545
<b><i>Financial liabilities measured at fair value</i></b>					
Derivatives held for trading	-	-	45	45	45

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

## 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2017 (Audited)				Total carrying amount US\$ '000
	Level 1	Level 2	Level 3	Total fair values	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
<i>Financial assets measured at fair value:</i>					
Investment securities	9,200	-	3,260	12,460	12,460
<i>Financial liabilities measured at fair value</i>					
Derivatives held for trading	-	54	-	54	54

Management has assessed that the fair values of financial assets comprising of balances with banks and financial institutions, placements with financial institutions, investment securities measured at amortised cost, loans and advances and other assets, and financial liabilities comprising of due to financial institutions, due to customers, borrowings and other liabilities approximate their carrying amounts.

Movements in level 3 fair value hierarchy of investments:

	<i>Reviewed</i> <b>31 March</b> <b>2018</b> US\$ '000	<i>Audited</i> <b>31 December</b> <b>2017</b> US\$ '000
At 1 January	3,260	5,321
Additions	50	22
Exits (at cost)	(111)	(1,023)
Net fair value movement	(51)	(1,060)
	<b>3,148</b>	<b>3,260</b>

Level 3 investments represent fund investments 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.

## 10 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. The Group uses currency swaps to manage some of its foreign currency exposures. These currency swaps 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.

The table below shows the fair values of the derivative financial instruments together with the notional amounts:

	31 March 2018 (Reviewed)		31 December 2017 (Audited)	
	Notional amounts	Fair value (loss) / gain	Notional amounts	Fair value (loss) / gain
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<i>Derivatives held for trading:</i>				
Currency swap	6,408	(45)	6,189	(54)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (Reviewed)

**11 ASSETS UNDER MANAGEMENT**

The Group's clients participate in products offered under its two alternative investment asset classes. Total assets under management ("AUM") in each product category at the consolidated statement of financial position date are as follows:

	<i>Reviewed</i> <b>31 March</b> <b>2018</b> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <b>2017</b> <i>US\$ '000</i>
Trade finance	<b>24,330</b>	9,500
Private equity	<b>4,713</b>	4,833
	<b>29,043</b>	<b>14,333</b>

Assets under management, relating to trade finance, include sub-participations by various clients in trade finance deals administered by the Group.

Assets under management, relating to private equity, include BMB Technology and Telecommunications Investment Company (under liquidation), a US focused venture capital fund of funds, customer sub-participations in private equity funds managed by the Group and other client funds managed on a discretionary basis.

**12 COMMITMENTS AND CONTINGENT LIABILITIES**

The outstanding commitments and contingent liabilities of the Group are as follows:

	<i>Reviewed</i> <b>31 March</b> <b>2018</b> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <b>2017</b> <i>US\$ '000</i>
Undrawn investment commitments in equity funds	<b>3,609</b>	3,612
Other commitments	<b>2,579</b>	2,579

Commitments mainly include commitments to participate in investments. Undrawn investment commitments comprise contractual commitments to investments made in equity funds. These amounts are called by fund managers, generally for a period between four and six years.

Other commitments represent unclaimed dividend amounts written back by the Bank in 2011. However, as per regulatory requirements, these amounts have been disclosed as a contingent liability.

The Group is engaged in litigation cases involving claims made by and against the Group relating to its ex-employees and certain third parties. The Board, after reviewing the claims pending against the Group and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group.