# Bahrain Middle East Bank B.S.C.

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 31 MARCH 2016 (Reviewed)

Building a better working world

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## 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 2016, comprising of the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statements of income, 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.

Ernst & Young

12 May 2016
Manama, Kingdom of Bahrain

Bahrain Middle East Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016 (Reviewed)

| | Note | ***Reviewed 31 March 2016 US$ '000*** | *Audited 31 December 2015 US$ '000* |
|---|---|---|---|
| **ASSETS** | | | |
| Balances with banks and financial institutions | | **14,822** | 28,373 |
| Placements with financial institutions | | **23,930** | 19,998 |
| Investments at fair value through profit or loss | | **1,468** | 161 |
| Loans and advances | 3 | **119,454** | 110,705 |
| Available-for-sale investments | 4 | **8,811** | 9,530 |
| Held-to-maturity investments | | **209** | 216 |
| Other assets | | **2,985** | 2,889 |
| **TOTAL ASSETS** | | **171,679** | 171,872 |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| Deposits from financial institutions | | **125,340** | 125,098 |
| Deposits from customers | | **7,630** | 8,726 |
| Other liabilities | | **2,438** | 2,786 |
| **Total liabilities** | | **135,408** | 136,610 |
| **EQUITY** | | | |
| Share capital | | **60,501** | 60,501 |
| Accumulated losses | | **(25,067)** | (26,554) |
| Fair value reserve | | **837** | 1,315 |
| **Total equity** | | **36,271** | 35,262 |
| **TOTAL LIABILITIES AND EQUITY** | | **171,679** | 171,872 |

Wilson S Benjamin
Chairman

Ebrahim Bu Hendi
Director

Ritchie Skelding
Chief Executive Officer

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

Bahrain Middle East Bank B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three-month period ended 31 March 2016 (Reviewed)

| | Note | *Three-month period ended 31 March* **2016** **US$ '000** | 2015 US$ '000 |
|---|---|---|---|
| **OPERATING INCOME** | | | |
| Interest income | | **2,572** | 2,652 |
| Interest expense | | **(339)** | (336) |
| **Net interest income** | | **2,233** | 2,316 |
| Investment banking income | 6 | **419** | 284 |
| Other income | | **82** | 93 |
| Foreign exchange (loss) gain | | **(8)** | 81 |
| **Total operating income** | | **2,726** | 2,774 |
| **OPERATING EXPENSES** | | | |
| Staff expenses | | **777** | 772 |
| Premises expenses | | **85** | 88 |
| Other operating expenses | | **244** | 306 |
| **Total operating expenses** | | **1,106** | 1,166 |
| **NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENT PROVISIONS** | | **1,620** | 1,608 |
| Impairment provisions - net | 5 | **(133)** | (205) |
| **NET PROFIT FOR THE PERIOD** | | **1,487** | 1,403 |
| **BASIC AND DILUTED EARNINGS PER SHARE (IN US$ CENTS)** | | **0.61** | 0.58 |

Wilson S Benjamin
Chairman

Ebrahim Bu Hendi
Director

Ritchie Skelding
Chief Executive Officer

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2016 (Reviewed)

| | *Three-month period ended 31 March* | |
|---|---|---|
| | ***2016*** | *2015* |
| | ***US$ '000*** | *US$ '000* |
| **NET PROFIT FOR THE PERIOD** | **1,487** | 1,403 |
| **Other comprehensive loss:** | | |
| Other comprehensive loss 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 | **(29)** | (27) |
| Net changes in fair value during the period | **(449)** | (315) |
| **Total other comprehensive loss for the period** | **(478)** | (342) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **1,009** | 1,061 |

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2016 (Reviewed)

| | *Three-month period ended 31 March* | |
|---|---|---|
| | ***2016*** | *2015* |
| | ***US$ '000*** | *US$ '000* |
| **OPERATING ACTIVITIES** | | |
| Net profit for the period | **1,487** | 1,403 |
| Adjustments for: | | |
| Impairment provisions - net (note 5) | **133** | 205 |
| Depreciation and amortisation | **14** | 11 |
| Changes in operating assets and liabilities: | | |
| Investments at fair value through profit or loss | **(1,307)** | 17 |
| Loans and advances | **(8,749)** | (12,700) |
| Available-for-sale investments | **108** | 179 |
| Held-to-maturity investments | **7** | 12 |
| Other assets | **(110)** | (55) |
| Deposits from financial institutions | **242** | (529) |
| Deposits from customers | **(1,096)** | (782) |
| Other liabilities | **(348)** | (121) |
| Net cash used in operating activities | **(9,619)** | (12,360) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **(9,619)** | (12,360) |
| Cash and cash equivalents at 1 January | **48,371** | 40,608 |
| **CASH AND CASH EQUIVALENTS AT 31 MARCH** | **38,752** | 28,248 |
| **CASH AND CASH EQUIVALENTS COMPRISE:** | | |
| Balances with banks and financial institutions | **14,822** | 9,940 |
| Placements with financial institutions with original maturities of three months or less | **23,930** | 18,308 |
| | **38,752** | 28,248 |

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2016 (Reviewed)

| | *Share capital US$ '000* | *Accumulate losses US$ '000* | *Fair value reserve US$ '000* | *Total equity US$ '000* |
|---|---|---|---|---|
| Balance at 1 January 2016 | 60,501 | (26,554) | 1,315 | 35,262 |
| Total comprehensive income (loss) for the period | - | 1,487 | (478) | 1,009 |
| **Balance at 31 March 2016** | **60,501** | **(25,067)** | **837** | **36,271** |
| Balance at 1 January 2015 | 60,501 | (31,633) | 2,136 | 31,004 |
| Total comprehensive income (loss) for the period | - | 1,403 | (342) | 1,061 |
| Balance at 31 March 2015 | 60,501 | (30,230) | 1,794 | 32,065 |

## 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 12 May 2016.

## 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 2016 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 2015. In addition, results for the three-month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

### 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 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 2015, except for the adoption of new standards and interpretations effective for annual period beginning on or after as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, such as:

- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue from Contracts from Customers*
- *IFRS 16 Leases*

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

### 2.3 Significant accounting policies (continued)

The below new standards and amendments apply for the first time in 2016. However, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are currently being assessed if they have any impact on the Group.

*Amendments to IAS 1 Disclosure Initiative*
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to consolidated financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are currently being assessed if they have any impact on the Group.

*Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are currently being assessed if they have any impact on the Group.

*Annual Improvements 2012-2014 Cycle*
These improvements are effective for annual periods beginning on or after 1 January 2016 and are not expected to have a material impact on the Group. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

## 3 LOANS AND ADVANCES

| | Reviewed 31 March 2016 US$ '000 | Audited 31 December 2015 US$ '000 |
|---|---|---|
| Trade finance | 114,062 | 104,108 |
| Installment sale receivable (refer note 7) | 5,328 | 6,533 |
| Corporate loan | 3,000 | 3,000 |
| | 122,390 | 113,641 |
| Less: Provision for impairment | (2,936) | (2,936) |
| | 119,454 | 110,705 |

The breakup of provision for impairment is as follows:

| | Reviewed 31 March 2016 US$ '000 | Audited 31 December 2015 US$ '000 |
|---|---|---|
| Specific impairment provision | 1,500 | 1,500 |
| Collective impairment provision | 1,436 | 1,436 |
| | 2,936 | 2,936 |
| Gross amount of loans, individually determined to be impaired | 4,162 | 4,669 |

## 4 AVAILABLE-FOR-SALE INVESTMENTS

| | Reviewed 31 March 2016 US$ '000 | Audited 31 December 2015 US$ '000 |
|---|---|---|
| *Equity and managed funds investments:* | | |
| Unquoted equity fund investments | 6,251 | 6,638 |
| Unquoted strategic investments | - | 237 |
| | 6,251 | 6,875 |
| *Debt securities:* | | |
| Quoted government sukuk | 2,560 | 2,655 |
| | 8,811 | 9,530 |

## 5 IMPAIRMENT PROVISIONS

| | ***31 March 2016 (Reviewed)*** | | |
|---|---|---|---|
| | ***Loans and advances US$ '000*** | ***Available-for-sale investments US$ '000*** | ***Total US$ '000*** |
| At 1 January 2016 | **2,936** | **10,813** | **13,749** |
| Charge for the period | **-** | **133** | **133** |
| Written-off | **-** | **(7,153)** | **(7,153)** |
| Foreign exchange movements | **-** | **52** | **52** |
| **At 31 March 2016** | **2,936** | **3,845** | **6,781** |

| | *31 March 2015 (Reviewed)* | | |
|---|---|---|---|
| | *Loans and advances US$ '000* | *Available-for-sale investments US$ '000* | *Total US$ '000* |
| At 1 January 2015 | 2,066 | 14,554 | 16,620 |
| Charge for the period | 50 | 358 | 408 |
| Reversal on recovery | (203) | - | (203) |
| Foreign exchange movements | (86) | (182) | (268) |
| At 31 March 2015 | 1,827 | 14,730 | 16,557 |
| At 31 December 2015 | 2,936 | 10,813 | 13,749 |

## 6 INVESTMENT BANKING INCOME

| | ***Reviewed 31 March 2016 US$ '000*** | *Reviewed 31 March 2015 US$ '000* |
|---|---|---|
| Fee and commission income | **424** | 222 |
| Gain from available-for-sale investments - net | **34** | 79 |
| Loss from investments at fair value through profit or loss - net | **(39)** | (17) |
| | **419** | 284 |

## 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 the 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.

| | *Key management personnel* | | *Shareholders and their related parties* | |
|---|---|---|---|---|
| | ***Reviewed 31 March 2016 US$ '000*** | *Audited 31 December 2015 US$ '000* | ***Reviewed 31 March 2016 US$ '000*** | *Audited 31 December 2015 US$ '000* |
| **Liabilities** | | | | |
| Deposits | **-** | - | **153** | 304 |
| Other liabilities - employee leaving indemnity | **202** | 195 | **-** | - |
| **Statement of income** | | | | |
| Investment banking income | **-** | - | **-** | 39 |
| Interest expense | **-** | - | **-** | 92 |

**Key management compensation**

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

| | ***Reviewed 31 March 2016 US$ '000*** | *Reviewed 31 March 2015 US$ '000* |
|---|---|---|
| Salaries and other short-term employee benefits | **421** | 420 |
| Employee leaving indemnity | **7** | 7 |
| | **428** | 427 |
| Directors' fees | **28** | 28 |

**Guarantee**

The Bank has received a corporate guarantee from a shareholder with regard to the Bank's installment sale receivable (refer note 3), and an additional guarantee from an associate of the shareholder. This additional guarantee is secured by real estate in the Arab Republic of Egypt (registration of the security is in process), and by share securities.

## 8 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 31 March 2016 is as follows:

| | ***Three-month period ended 31 March 2016 (Reviewed)*** | | | |
|---|---|---|---|---|
| | ***Financing*** | ***Investing*** | ***Others*** | ***Total*** |
| | ***US$ '000*** | ***US$ '000*** | ***US$ '000*** | ***US$ '000*** |
| Interest income | **2,538** | **34** | **-** | **2,572** |
| Interest expense | **(339)** | **-** | **-** | **(339)** |
| Investment banking income | **169** | **(5)** | **255** | **419** |
| Other income | **-** | **-** | **82** | **82** |
| Foreign exchange loss | **-** | **-** | **(8)** | **(8)** |
| Results from operations | **2,368** | **29** | **329** | **2,726** |
| Impairment provisions - net (note 5) | **-** | **(133)** | **-** | **(133)** |
| Unallocated corporate expenses | **-** | **-** | **-** | **(1,106)** |
| **Net profit (loss) for the period** | **2,368** | **(104)** | **329** | **1,487** |
| **Reportable segment assets** | **160,335** | **10,520** | **824** | **171,679** |
| **Reportable segment liabilities** | **134,225** | **-** | **1,183** | **135,408** |
| **Equity** | | | | **36,271** |
| **Total liabilities and equity** | | | | **171,679** |

## 8 SEGMENT RESULTS (continued)

| | *Three-month period ended 31 March 2015 (Reviewed)* | | | |
|---|---|---|---|---|
| | *Financing* | *Investing* | *Others* | *Total* |
| | *US$ '000* | *US$ '000* | *US$ '000* | *US$ '000* |
| Interest income | 2,651 | 1 | - | 2,652 |
| Interest expense | (336) | - | - | (336) |
| Investment banking income | - | 62 | 222 | 284 |
| Other income | - | - | 93 | 93 |
| Foreign exchange gain | - | - | 81 | 81 |
| Results from operations | 2,315 | 63 | 396 | 2,774 |
| Impairment provisions - net | 153 | (358) | - | (205) |
| Unallocated corporate expenses | - | - | - | (1,166) |
| Net profit for the period | 2,468 | (295) | 396 | 1,403 |
| Reportable segment assets | 163,210 | 8,731 | 532 | 172,473 |
| Reportable segment liabilities | 139,316 | 284 | 808 | 140,408 |
| Equity | | | | 32,065 |
| Total liabilities and equity | | | | 172,473 |

## 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 and available-for-sale investments. 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.

## 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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:

| | *Three-month period ended 31 March 2016 (Reviewed)* | | | | |
|---|---|---|---|---|---|
| | ***Level 1*** | ***Level 2*** | ***Level 3*** | ***Total fair*** | ***Total*** |
| | ***US$*** | ***US$ '000*** | ***US$ '000*** | ***US$ '000*** | ***US$ '000*** |
| ***Financial assets measured at fair value*** | | | | | |
| Investments at fair value through profit or loss | **1,307** | **-** | **161** | **1,468** | **1,468** |
| Available-for-sale investments | **2,560** | **-** | **6,251** | **8,811** | **8,811** |
| ***Financial assets not measured at fair value*** | | | | | |
| Held-to-maturity investments | **-** | **-** | **176** | **176** | **209** |

| | *31 December 2015 (Audited)* | | | | |
|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *values* | *carrying* |
| | *US$* | *US$ '000* | *US$ '000* | *US$ '000* | *US$ '000* |
| *Financial assets measured at fair value* | | | | | |
| Investments at fair value through profit or loss | - | - | 161 | 161 | 161 |
| Available-for-sale investments | 2,655 | - | 6,875 | 9,530 | 9,530 |
| *Financial assets not measured at fair value* | | | | | |
| Held-to-maturity investments | - | - | 176 | 176 | 216 |

Management has assessed that the fair values of financial assets comprising of balances with banks and financial institutions, placements with financial institutions, loans and advances and other assets, and financial liabilities comprising of deposits from financial institutions, deposits from customers and other liabilities approximate their carrying amounts.

For held-to-maturity investments, fair value is lower than the carrying amount; however this shortfall in fair value 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.

## 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 fair value hierarchy of investments:

| | ***Reviewed 31 March 2016 US$ '000*** | *Audited 31 December 2015 US$ '000* |
|---|---|---|
| At 1 January | **7,036** | 9,029 |
| Net fair value movement | **(354)** | (291) |
| Additions | **-** | 150 |
| Exits (at cost) | **(116)** | (577) |
| Fair value transferred to statement of income on disposals / impairment | **(154)** | (1,275) |
| | **6,412** | 7,036 |

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.

## 10 COMMITMENTS AND CONTINGENT LIBILITIES

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

| | ***Reviewed 31 March 2016 US$ '000*** | *Audited 31 December 2015 US$ '000* |
|---|---|---|
| Undrawn investment commitments in equity funds | **4,944** | 4,929 |
| Other commitments | **2,579** | 2,579 |
| Assets under management | **45,656** | 42,626 |