

United Gulf Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 SEPTEMBER 2015 (Reviewed)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United Gulf Bank B.S.C. (the Bank) and its subsidiaries (together the Group) as at 30 September 2015, comprising the interim consolidated statement of financial position as at 30 September 2015 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.



12 November 2015
Manama, Kingdom of Bahrain

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015 (Reviewed)

		Reviewed 30 September 2015 US\$ 000	Audited 31 December 2014 US\$ 000	Reviewed 30 September 2014 US\$ 000
	Note			
ASSETS				
Demand and call deposits with banks		239,720	284,048	191,332
Placements with banks		115,201	142,481	93,976
Investments carried at fair value through statement of income		55,571	57,063	77,201
Non-trading investments	4	287,485	218,407	229,566
Loans and receivables		769,022	990,164	1,007,047
Other assets		115,251	113,574	73,920
Investments in associates and joint ventures		858,794	864,991	794,559
Investment properties		43,722	4,774	14
Property and equipment		41,257	39,926	39,029
Goodwill		54,304	54,509	77,343
Assets of disposal group classified as held for sale		1,184	7,893	-
TOTAL ASSETS		2,581,511	2,777,830	2,583,987
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		716,855	712,615	609,626
Deposits from customers		433,898	548,417	512,327
Loans payable		691,609	781,347	737,480
Subordinated debt		143,270	93,270	93,270
Other liabilities		79,110	61,545	68,342
Liabilities of disposal group classified as held for sale		206	249	-
TOTAL LIABILITIES		2,064,948	2,197,443	2,021,045
EQUITY				
Share capital		208,651	208,651	208,651
Treasury shares		(18,131)	(18,131)	(18,131)
Share premium		11,459	11,459	11,459
Statutory reserve		98,766	98,766	96,882
General reserve		79,251	79,251	77,367
Treasury shares reserve		14,248	14,248	14,248
Fair value reserve		(35,297)	7,539	1,075
Foreign currency translation reserve		(31,059)	(10,403)	(898)
Retained earnings		77,493	71,522	72,184
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		405,381	462,902	462,837
Non-controlling interests		111,182	117,485	100,105
TOTAL EQUITY		516,563	580,387	562,942
TOTAL LIABILITIES AND EQUITY		2,581,511	2,777,830	2,583,987

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Acting Chief Executive Officer

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine-month period ended 30 September 2015 (Reviewed)

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2015 US\$ 000	2014 US\$ 000	2015 US\$ 000	2014 US\$ 000
Investment income - net	6	(3,710)	1,435	1,966	12,546
Interest income		13,229	14,652	44,505	42,703
		9,519	16,087	46,471	55,249
Fees and commissions		7,357	9,983	22,780	29,807
Foreign currency translation gains (losses) - net		395	(4,496)	2,261	(7,658)
Share of results of associates - net		12,328	9,710	33,394	40,420
Total income		29,599	31,284	104,906	117,818
Interest expense		(13,159)	(12,468)	(38,592)	(38,208)
Operating income before expenses and provisions		16,440	18,816	66,314	79,610
Salaries and benefits		(11,874)	(9,078)	(37,011)	(29,376)
General and administrative expenses		(6,984)	(1,142)	(22,038)	(12,509)
Operating income (loss) before provisions		(2,418)	8,596	7,265	37,725
(Impairment loss) reversal of impairment on loans and receivables		1,858	(13,955)	(6,698)	(26,863)
Taxation - net		(226)	-	1,205	-
Net profit (loss) for the period from continuing operations		(786)	(5,359)	1,772	10,862
Discontinued operations					
Net loss from discontinued operations		(243)	-	(2,585)	-
Net (loss) profit for the period		(1,029)	(5,359)	(813)	10,862
Net loss attributable to non-controlling interests		(1,796)	(4,677)	(6,784)	(4,871)
NET PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		767	(682)	5,971	15,733
Net profit (loss) for the period attributable to:					
Shareholders of the parent					
- from continuing operations		915	(682)	7,553	15,733
- from discontinued operations		(148)	-	(1,582)	-
		767	(682)	5,971	15,733
Non-controlling interests					
- from continuing operations		(1,701)	(4,677)	(5,781)	(4,871)
- from discontinued operations		(95)	-	(1,003)	-
		(1,796)	(4,677)	(6,784)	(4,871)
Earnings per share					
Basic and diluted earnings per share attributable to shareholders of the parent (US cents)		0.09	(0.08)	0.73	1.93
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent (US cents)		0.11	(0.08)	0.93	1.93

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalaj
Acting Chief Executive Officer

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2015 (Reviewed)

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	2015	2014	2015	2014
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
NET (LOSS) PROFIT FOR THE PERIOD	(1,029)	(5,359)	(813)	10,862
Other comprehensive (loss) income for the period to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve	232	(7,741)	(21,431)	(8,076)
Movement in fair values of investments available for sale	(4,886)	4,152	(811)	19,448
Transfer to interim consolidated statement of income upon derecognition	171	(714)	(19,452)	(1,722)
Share of other comprehensive (loss) income of associates and joint ventures - net	(11,250)	857	(22,433)	726
Cash flow hedges	6	215	(36)	178
Other comprehensive (loss) income for the period to be reclassified to profit or loss in subsequent periods	(15,727)	(3,231)	(64,163)	10,554
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(16,756)	(8,590)	(64,976)	21,416
Total comprehensive (loss) income attributable to				
- shareholders of the parent	(13,641)	(3,624)	(57,521)	26,537
- non-controlling interests	(3,115)	(4,966)	(7,455)	(5,121)
	(16,756)	(8,590)	(64,976)	21,416

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2015 (Reviewed)

		Nine-months period ended 30 September	
		2015	2014
	Note	US\$ 000	US\$ 000
OPERATING ACTIVITIES			
Net profit for the period from continuing operations		1,772	10,862
Adjustments for non-cash items:			
Depreciation		1,810	2,231
Loss (gain) on investments carried at fair value through statement of income		5,370	(7,788)
Share of results of associates and joint ventures - net		(33,394)	(40,420)
Impairment loss on loans and receivables		6,698	26,863
Loss on fair valuation of investment properties		422	-
Gain on sale of associated companies & subsidiaries		(1,375)	(237)
Interest income		(44,505)	(42,703)
Interest expense		38,592	38,208
Dividend income		(2,532)	(2,828)
Operating loss before working capital changes		(27,142)	(15,812)
Changes in operating assets and liabilities:			
Placements with banks with original maturities of more than ninety days		(23,228)	(8,010)
Investments carried at fair value through statement of income		(3,878)	(22,784)
Non-trading investments		13,555	2,182
Loans and receivables		111,444	(21,026)
Other assets		283	(2,161)
Due to banks and other financial institutions		4,240	(208,119)
Deposits from customers		(114,519)	56,332
Net assets of disposal group classified as held for sale		4,081	-
Other liabilities		16,047	15,803
Interest received		43,714	40,208
Interest paid		(37,859)	(34,117)
Dividends received		2,532	2,828
Directors' remuneration		(220)	(200)
Donations		(200)	(200)
Net cash used in operating activities		(11,150)	(195,076)
INVESTING ACTIVITIES			
Investments in subsidiaries - net of cash acquired		-	89,276
Investments in associates and joint ventures - net		18,738	76,197
Investment properties - net		(39,370)	-
Property and equipment - net		(3,141)	(1,552)
Net cash (used in) from investing activities		(23,773)	163,921
FINANCING ACTIVITIES			
(Repayment of) proceeds from loans		(89,738)	176,689
Proceeds from issue of (repayment of) subordinated debt		50,000	(6,730)
Net cash (used in) from financing activities		(39,738)	169,959
Foreign currency translation adjustments		(20,656)	(7,584)
Movement in non-controlling interests		481	15,268
NET CHANGE IN CASH AND CASH EQUIVALENTS		(94,836)	146,488
Cash and cash equivalents at 1 January		418,416	130,491
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	323,580	276,979

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2015 (Reviewed)

	Attributable to shareholders of the parent							Total before non-controlling interests		Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Treasury share reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings		
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Balance at 1 January 2015	208,651	(18,131)	11,459	98,766	79,251	14,248	7,539	(10,403)	71,522	462,902	580,387
Profit (loss) for the period	-	-	-	-	-	-	-	-	5,971	5,971	(813)
Other comprehensive loss	-	-	-	-	-	-	(42,836)	(20,656)	-	(63,492)	(64,163)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(42,836)	(20,656)	5,971	(57,521)	(64,976)
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,152
Balance at 30 September 2015	208,651	(18,131)	11,459	98,766	79,251	14,248	(35,297)	(31,059)	77,493	405,381	516,563
Balance at 1 January 2014	208,651	(18,131)	11,459	96,882	77,367	14,248	(17,313)	6,686	56,451	436,300	459,562
Profit (loss) for the period	-	-	-	-	-	-	-	-	15,733	15,733	10,862
Other comprehensive income (loss)	-	-	-	-	-	-	18,388	(7,584)	-	10,804	10,554
Total comprehensive income (loss) for the period	-	-	-	-	-	-	18,388	(7,584)	15,733	26,537	21,416
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	81,964
Balance at 30 September 2014	208,651	(18,131)	11,459	96,882	77,367	14,248	1,075	(898)	72,184	462,837	562,942

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITY

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

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

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

The Bank's parent and ultimate holding company is Kuwait Projects Company (Holding) K.S.C. ["KIPCO"], a company incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange. As at 30 September 2015, KIPCO owned 97.77% of the Bank's outstanding shares (31 December 2014: 97.41%).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 12 November 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2015 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 2014. In addition, results for the nine-month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements or the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

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

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

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Annual Improvements 2010-2012 Cycle (continued)

IFRS 2 Share-based Payment (continued)

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 8 in these interim condensed consolidated financial statements as the reconciliation is reported to the chief operating decision maker for decision making purposes.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

3 BASIS OF CONSOLIDATION

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

The Bank has the following principal subsidiaries:

Name of the subsidiary	Country of incorporation	Effective ownership		Year of incorporation
		30 September 2015	31 December 2014	
Held directly				
	British Virgin Islands			
United Gulf Realty International Limited	Islands	100%	0%	2012
Syria Gulf Investment Company	Syria	99%	99%	2007
Hatoon Real Estate Company	Kuwait	98%	98%	2008
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	86%	86%	1998
United Gulf Financial Services Company-North Africa	Tunisia	85%	85%	2008
FIMBank Group [FIMBank]	Malta	61%	61%	1994
Takaful Saving & Pensions Company	Bahrain	50%	50%	2011
Held through KAMCO				
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	100%	100%	2007
Al Raya Real Estate Projects Company W.L.L.	Kuwait	100%	100%	2007
Al Zad Real Estate W.L.L.	Kuwait	100%	100%	2007
Kamco GCC Opportunistic Fund	Kuwait	100%	100%	2013
North Africa Real Estate Co.	Kuwait	100%	100%	2014
Orange Real Estate Co. W.L.L.	Kuwait	100%	100%	2005
Al Rawabi International Real Estate Co. W.L.L.	Kuwait	96%	96%	2009
Kuwait Private Equity Opportunity Fund	Kuwait	71%	71%	2004
Al Janah Holding Company K.S.C. (Closed)	Kuwait	0%	99%	2005
Held through FIMBank				
FIM Holdings (Chile) S.p.a.	Chile	100%	100%	2014
London Forfaiting Company Limited	United Kingdom	100%	100%	2009
London Forfaiting International Limited	United Kingdom	100%	100%	2009
London Forfaiting Americas Inc.	America	100%	100%	2009
London Forfaiting do Brasil Ltd.	Brazil	100%	100%	2009
FIM Factors B.V.	Netherlands	100%	100%	2009
	United Arab Emirates			
Menafactors Limited	Emirates	100%	100%	2009
FIM Business Solutions Limited	Malta	100%	100%	2009
FIM Property Investment Limited	Malta	100%	100%	2010
CIS Factors Holdings B.V.	Russia	80%	80%	2009
India Factoring and Finance Solutions Private Limited	India	79%	79%	2010
First Factors S.A.	Chile	51%	51%	2014

4 NON - TRADING INVESTMENTS

Included under non-trading investments are unquoted available for sale investments, primarily representing nominal equity stakes of up to 13% (31 December 2014: 13%) in various geographically and sectorally dispersed entities, amounting to US\$ 43.3 million (31 December 2014: US\$ 27 million) for which fair value cannot be determined with sufficient accuracy, as future cash flows are not determinable. Accordingly, these investments are carried at cost less provisions for impairment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

5 CASH AND CASH EQUIVALENTS

	<i>Reviewed</i> <i>30 September</i> <i>2015</i> <i>US\$ 000</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>US\$ 000</i>	<i>Reviewed</i> <i>30 September</i> <i>2014</i> <i>US\$ 000</i>
Demand and call deposits with banks	239,720	284,048	191,332
Time deposits with original maturities of ninety days or less	83,860	134,368	85,647
	323,580	418,416	276,979

6 INVESTMENT INCOME

Investment income for the nine -month period ended 30 September 2015 includes US \$ 5.2 million representing income from consultancy services provided to an associate during the period (nine-month period ended 30 September 2014: nil).

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

7 RELATED PARTY TRANSACTIONS

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

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

	Reviewed			Reviewed
	Nine-month period ended 30 September 2015			Nine-month period ended 30 September 2014
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000
Gain (loss) on investments carried at fair value through statement of income - net	-	5	-	5
Loss on sale of non-trading investments	-	(614)	-	(341)
Fees and commissions	2,341	1,045	3,227	1,209
Dividend income	22	40	207	250
Interest income	-	781	275	946
Interest expense	(764)	(9,772)	(2,624)	(14,182)
Others	4	5,359	(681)	(590)
Impairment loss on loans and receivables - net	-	-	-	(622)
Purchase transactions	-	15,293	-	31,130
Non-trading investments	-	30,055	-	-
Investments in associated company	-	12,734	-	-
Investment properties	-	-	-	-
Sales transactions	-	19,253	-	-
Non-trading investments	-	-	2,958	-
Sale of subsidiary	-	-	-	-
Investment properties	-	4,001	-	4,001

All related party transactions are on terms that are mutually agreed between the counterparties.

United Gulf Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

7 RELATED PARTY TRANSACTIONS (continued)

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

	Reviewed 30 September 2015			Audited 31 December 2014 US\$ 000	Reviewed 30 September 2014 US\$ 000
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000		
			Total US\$ 000		
Demand and call deposits with banks	-	1,938	541	1,010	1,491
Placements with banks	-	39,300	3,576	45,505	41,643
Investments carried at fair value through statement of income	545	1,123	1,653	2,684	2,733
Investments carried at fair value through statement of income in funds managed by related party	-	-	9,962	9,962	9,962
Non-trading investments	-	4,922	23,651	19,683	19,257
Loans and receivables	-	33,184	2,058	65,113	39,863
Other assets	976	41,190	10,959	50,463	14,838
Due to banks and other financial institutions	-	(931)	(149,564)	(202,634)	(142,764)
Deposits from customers	(82)	(1,676)	(13,983)	(14,136)	(19,092)
Loans payable	-	(374,383)	-	(453,754)	(477,560)
Subordinated debt	-	(50,000)	-	-	-
Other liabilities	(255)	(1,925)	(3,191)	(3,994)	(4,229)
<i>Off statement of financial position items:</i>					
Letters of guarantee	-	-	-	27,367	27,777
Funds managed or advised by the Group	-	-	-	37,278	-

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

8 SEGMENTAL INFORMATION

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

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

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

Segmental results

Segmental results for the nine-month period ended 30 September 2015 were as follows:

	<i>Reviewed</i>		
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Total US\$ 000</i>
Income from external customers	20,262	51,250	71,512
Share of results of associates and joint ventures	646	32,748	33,394
Total income	20,908	83,998	104,906
Operating income before provisions and tax	5,290	1,975	7,265
Impairment loss on loans and receivables	-	(6,698)	(6,698)
Taxation	-	1,205	1,205
Profit (loss) for the period from continuing operations	5,290	(3,518)	1,772
Discontinued operations			
Net loss from discontinued operations	-	(2,585)	(2,585)
Net profit (loss) for the period	5,290	(6,103)	(813)
Profit attributable to shareholders of the parent			5,971
Loss attributable to non-controlling interests			(6,784)
			(813)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

8 SEGMENTAL INFORMATION (continued)**Segmental results (continued)**

Segmental results for the nine-month period ended 30 September 2014 were as follows:

	<i>Reviewed</i>		
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Total US\$ 000</i>
Income from external customers	20,746	56,652	77,398
Share of results of associates and joint ventures	2,435	37,985	40,420
Total income	23,181	94,637	117,818
Operating income before provisions	20,484	17,241	37,725
Impairment loss on loans and receivables	(2,362)	(24,501)	(26,863)
Net profit (loss) for the period	18,122	(7,260)	10,862
Profit attributable to shareholders of the parent			15,733
Loss attributable to non-controlling interests			(4,871)
			10,862

Segmental assets and liabilities

Segmental assets and liabilities at 30 September 2015 were as follows:

	<i>Reviewed</i>		
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Total US\$ 000</i>
Investments in associates and joint ventures	317,730	541,064	858,794
Segment assets	906,934	1,674,577	2,581,511
Segment liabilities	1,018,324	1,046,624	2,064,948

Segmental assets and liabilities at 31 December 2014 were as follows:

	<i>Audited</i>		
	<i>Asset management and investment banking US\$ 000</i>	<i>Commercial banking US\$ 000</i>	<i>Total US\$ 000</i>
Investments in associates and joint ventures	298,790	566,201	864,991
Segment assets	900,502	1,877,328	2,777,830
Segment liabilities	977,792	1,219,651	2,197,443

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

9 COMMITMENTS, CONTINGENCIES AND OTHER OFF STATEMENT OF FINANCIAL POSITION ITEMS**Commitments**

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

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

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

	<i>Reviewed</i> <i>30 September</i> <i>2015</i> <i>US\$ 000</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>US\$ 000</i>	<i>Reviewed</i> <i>30 September</i> <i>2014</i> <i>US\$ 000</i>
Credit-related commitments:			
Letters of credit	55,644	65,834	84,553
Letters of guarantee	33,224	49,524	52,307
	88,868	115,358	136,860
Undrawn commitments	48,456	109,260	98,545
Investment-related commitments	4,019	-	4,038
	141,343	224,618	239,443

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

10 DERIVATIVES

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

	<i>Notional amounts</i>		
	<i>Reviewed</i> <i>30 September</i> <i>2015</i> <i>US\$ 000</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>US\$ 000</i>	<i>Reviewed</i> <i>30 September</i> <i>2014</i> <i>US\$ 000</i>
<i>Derivatives held for trading:</i>			
Forward foreign exchange contracts *	206,831	223,962	521,687
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	730,320	787,936	548,081
Cross currency swaps	-	70,621	695,600
<i>Derivatives used as cash flow hedges</i>			
Interest rate swap	200,000	100,000	100,000

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

11 FINANCIAL INSTRUMENTS

The table below summarises the accounting classification of the Group's financial assets and financial liabilities:

	<i>Held for trading</i>	<i>Designated at fair value through statement of income</i>	<i>Available-for-sale</i>	<i>Amortised cost / Loans and receivables</i>	<i>Total</i>
<i>30 September 2015</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	-	-	-	239,720	239,720
Placements with banks	-	-	-	115,201	115,201
Investments carried at fair value through statement of income	43,760	11,811	-	-	55,571
Non-trading investments	-	-	-	287,485	287,485
Loans and receivables	-	-	-	769,022	769,022
Other assets	-	-	-	110,740	110,740
Assets of disposal group classified as held for sale	-	-	-	1,184	1,184
Total financial assets	43,760	11,811	-	1,523,352	1,578,923
Due to banks and other financial institutions	-	-	-	716,855	716,855
Deposits from customers	-	-	-	433,898	433,898
Loans payable	-	-	-	691,609	691,609
Subordinated debt	-	-	-	143,270	143,270
Other liabilities	-	-	-	79,110	79,110
Liabilities of disposal group classified as held for sale	-	-	-	206	206
Total financial liabilities	-	-	-	2,064,948	2,064,948

	<i>Held for trading</i>	<i>Designated at fair value through statement of income</i>	<i>Available-for-sale</i>	<i>Amortised cost / Loans and receivables</i>	<i>Total</i>
<i>31 December 2014</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Demand and call deposits with banks	-	-	-	284,048	284,048
Placements with banks	-	-	-	142,481	142,481
Investments carried at fair value through statement of income	44,786	12,277	-	-	57,063
Non-trading investments	-	-	218,407	-	218,407
Loans and receivables	-	-	-	990,164	990,164
Other assets	303	3,381	-	105,105	108,789
Assets of disposal group classified as held for sale	-	-	-	7,893	7,893
Total financial assets	45,089	15,658	218,407	1,529,691	1,808,845
Due to banks and other financial institutions	-	-	-	712,615	712,615
Deposits from customers	-	-	-	548,417	548,417
Loans payable	-	-	-	781,347	781,347
Subordinated debt	-	-	-	93,270	93,270
Other liabilities	-	-	-	61,545	61,545
Liabilities of disposal group classified as held for sale	-	-	-	249	249
Total financial liabilities	-	-	-	2,197,443	2,197,443

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

11 FINANCIAL INSTRUMENTS (continued)

The fair values of financial instruments on statement of financial position are not significantly different from their carrying values included in the interim condensed consolidated financial statements except for non-trading investments of US\$ 43.3 million (31 December 2014: US\$ 27.0 million) carried at cost less impairment (Note 4) and the following:

	<u>30 September 2015</u>		<u>31 December 2014</u>	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Subordinated debt	143,270	143,254	93,270	80,458

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

11 FINANCIAL INSTRUMENTS (continued)***Fair value hierarchy (continued)***

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 September 2015:

	<i>Level 1</i> <i>US\$ 000</i>	<i>Level 2</i> <i>US\$ 000</i>	<i>Level 3</i> <i>US\$ 000</i>	<i>Total</i> <i>US\$ 000</i>
Assets measured at fair value				
Investments carried at fair value through statement of income				
Quoted equities	25,838	-	17,824	43,662
Credit linked notes	9,961	-	-	9,961
Managed funds	-	1,849	99	1,948
Non-trading investments				
Equities - quoted	17,296	-	-	17,296
Equities - unquoted	77	20,777	503	21,357
Real estate managed funds - unquoted	-	16,639	-	16,639
Other managed funds	-	176,254	12,611	188,865
Debt securities - unquoted	-	-	-	-
Derivatives				
Held for trading	-	(449)	-	(449)
Used as hedge of net investments in foreign operations	-	(940)	-	(940)
	<u>53,172</u>	<u>214,130</u>	<u>31,037</u>	<u>298,339</u>
Assets for which fair values are disclosed				
Placements with banks	-	31,341	-	31,341
Loans and receivables	-	91,613	-	91,613
	<u>-</u>	<u>122,954</u>	<u>-</u>	<u>122,954</u>
Liabilities for which fair values are disclosed				
Loans payable	-	379,220	-	379,220
Subordinated debt	143,254	-	-	143,254
	<u>143,254</u>	<u>379,220</u>	<u>-</u>	<u>522,474</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2015 (Reviewed)

11 FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December 2014:

	Level 1 US\$ 000	Level 2 US\$ 000	Level 3 US\$ 000	Total US\$ 000
Assets measured at fair value				
Investments carried at fair value through statement of income				
Quoted equities	26,786	-	-	26,786
Credit linked notes	18,000	-	-	18,000
Managed funds	9,962	2,315	-	12,277
Non-trading investments				
Equities - quoted	5,590	-	-	5,590
Equities - unquoted	84	41,620	531	42,235
Real estate managed funds - unquoted	-	64,070	-	64,070
Other managed funds	-	64,821	14,674	79,495
Debt securities - unquoted	-	-	1,368	1,368
Derivatives				
Held for trading	-	(1,327)	-	(1,327)
Used as hedge of net investments in foreign operations	-	1,171	-	1,171
Used as cash flow hedges	-	2,242	-	2,242
	<u>60,422</u>	<u>174,912</u>	<u>16,573</u>	<u>251,907</u>
Assets for which fair values are disclosed				
Placements with banks	-	8,113	-	8,113
Loans and receivables	-	144,655	-	144,655
	<u>-</u>	<u>152,768</u>	<u>-</u>	<u>152,768</u>
Liabilities for which fair values are disclosed				
Loans payable	-	325,942	-	325,942
Subordinated debt	80,458	-	-	80,458
	<u>80,458</u>	<u>325,942</u>	<u>-</u>	<u>406,400</u>

Transfers between Level 1, Level 2 and Level 3

During the nine-month period ended 30 September 2015 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.