

United Gulf Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2017 (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 31 March 2017, comprising of the interim consolidated statement of financial position as at 31 March 2017 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.



14 May 2017
Manama, Kingdom of Bahrain

United Gulf Bank B.S.C.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017 (Reviewed)

		<i>Reviewed</i> 31 March 2017 <i>US\$ 000</i>	<i>Audited</i> 31 December 2016 <i>US\$ 000</i>	<i>Reviewed</i> 31 March 2016 <i>US\$ 000</i>
	<i>Notes</i>			
ASSETS				
Demand and call deposits with banks		209,117	176,880	300,634
Placements with banks		308,886	187,350	181,833
Investments carried at fair value through statement of income		36,795	45,178	54,517
Non-trading investments	4	409,619	404,436	355,009
Loans and receivables		1,184,818	1,184,804	1,000,060
Other assets		127,009	112,735	132,872
Investments in associates		709,830	709,043	715,163
Investment properties		104,579	101,326	102,117
Property and equipment		32,388	32,117	40,546
Goodwill		51,868	51,868	52,321
Non-current asset classified as held for sale	5	75,147	-	1,098
TOTAL ASSETS		3,250,056	3,005,737	2,916,170
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		769,445	726,222	813,955
Deposits from customers		995,905	985,210	585,152
Loans payable		792,910	652,125	796,317
Subordinated debt		50,000	50,000	123,470
Other liabilities		62,281	62,724	62,462
Liabilities directly associated with non-current asset classified as held for sale	5	38,824	-	186
TOTAL LIABILITIES		2,709,365	2,476,281	2,381,542
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		100,514	100,514	99,888
General reserve		80,999	80,999	80,373
Treasury shares reserve		14,248	14,248	14,248
Fair value reserve		(46,503)	(49,966)	(54,411)
Foreign currency translation reserve		(35,497)	(37,476)	(32,754)
Retained earnings		88,390	83,711	83,526
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		404,130	394,009	392,849
Perpetual Tier 1 capital	7	33,000	33,000	33,000
Non-controlling interests		103,561	102,447	108,779
TOTAL EQUITY		540,691	529,456	534,628
TOTAL LIABILITIES AND EQUITY		3,250,056	3,005,737	2,916,170


 Masaud Hayat
 Chairman


 Faisal Al Ayyar
 Vice Chairman


 Hussain Lalani
 Acting Chief Executive Officer

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

United Gulf Bank B.S.C.
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three-month period ended 31 March 2017 (Reviewed)

	<i>Three-month period ended 31 March</i>	
	2017	2016
	US\$ 000	US\$ 000
Investment income - net	10,737	7,583
Interest income	13,264	11,291
	24,001	18,874
Fees and commissions	8,888	8,470
Foreign currency translation losses - net	(1,270)	(4,571)
Share of results of associates - net	9,108	10,234
Total Income	40,727	33,007
Interest expense	(14,664)	(12,684)
Operating Income before expenses and provisions	26,063	20,323
Salaries and benefits	(11,232)	(12,265)
General and administrative expenses	(7,719)	(6,942)
Operating Income before provisions	7,112	1,116
Provision / write back of provision for loans and receivables	(500)	751
Provision for impairment on investments	(985)	(1,700)
Taxation - net	(491)	278
Net profit for the period from continuing operations	5,136	445
Discontinued operations		
Net loss from discontinued operations	-	(18)
Net profit for the period	5,136	427
Net profit (loss) attributable to non-controlling interests	457	(2,602)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	4,679	3,029
Net profit (loss) for the period attributable to:		
Non-controlling interests		
- from continuing operations	457	(2,595)
- from discontinued operations	-	(7)
	457	(2,602)
Shareholders of the parent		
- from continuing operations	4,679	3,040
- from discontinued operations	-	(11)
	4,679	3,029
Earnings per share		
Basic and diluted earnings per share attributable to shareholders of the parent (US cents)	0.57	0.37
Basic and diluted earnings per share from continuing operations attributable to shareholders of the parent (US cents)	0.57	0.37


 Masaud Hayat
 Chairman


 Faisal Al Ayyar
 Vice Chairman


 Hussain Lalani
 Acting Chief Executive Officer

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2017 (Reviewed)

	<i>Three-month period ended 31 March</i>	
	2017	2016
	US\$ 000	US\$ 000
NET PROFIT FOR THE PERIOD	5,136	427
Other comprehensive income (loss) for the period to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	2,105	2,265
Fair value reserve	9,621	749
Transfer to interim consolidated statement of income upon disposal	-	2,230
Share of other comprehensive loss of associates - net	(5,189)	(5,918)
Cash flow hedges	52	(626)
Other comprehensive income (loss) for the period to be reclassified to profit or loss in subsequent periods	6,589	(1,300)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	11,725	(873)
Total comprehensive income (loss) attributable to		
- shareholders of the parent	10,121	(1,087)
- non-controlling interests	1,604	214
	11,725	(873)

United Gulf Bank B.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2017 (Reviewed)

		Three-months period ended 31 March	
		2017	2016
	Notes	US\$ 000	US\$ 000
OPERATING ACTIVITIES			
Net profit for the period		5,136	445
Adjustments for non-cash items:			
Depreciation		851	1,204
(Gain) loss on investments carried at fair value through statement of income		(2,852)	1,495
Share of results of associates - net		(9,108)	(10,234)
Provision for / (write back of provision for) loans and receivables		500	(751)
Provision for impairment on investments		985	1,700
Gain on sale of associates & subsidiaries		-	(1,636)
Gain on fair valuation of investment properties		(3,000)	-
Interest income		(13,264)	(11,291)
Interest expense		14,664	12,684
Dividend income		(2,372)	(2,038)
Operating loss before working capital changes		(8,460)	(8,422)
Changes in operating assets and liabilities:			
Placements with banks with original maturities of more than ninety days		(35,100)	(20,769)
Investments carried at fair value through statement of income		11,235	(5,351)
Non-trading investments		2,432	22,684
Loans and receivables		(514)	32,789
Other assets		(14,980)	(13,513)
Due to banks and other financial institutions		43,223	(24,205)
Deposits from customers		10,695	123,066
Other liabilities		(4,419)	2,818
Interest received		14,022	11,270
Interest paid		(10,293)	(7,897)
Dividends received		2,372	2,038
Directors' remuneration		(195)	(220)
Donations		(200)	(200)
Net cash from operating activities		9,818	114,088
INVESTING ACTIVITIES			
Net assets of disposal group classified as held for sale		(36,323)	(68)
Investments in associates - net		3,132	(5,220)
Investment properties - net		(253)	-
Property and equipment - net		(1,122)	(56)
Net cash used in investing activities		(34,566)	(5,344)
FINANCING ACTIVITIES			
Proceeds from loans		140,785	81,749
Issue of perpetual Tier 1 capital	7	-	33,000
Repayment of subordinated debt		-	(19,800)
Net cash from financing activities		140,785	94,949
Foreign currency translation adjustments		1,979	2,136
Movement in non-controlling interests		657	2,050
NET CHANGE IN CASH AND CASH EQUIVALENTS		118,673	207,879
Cash and cash equivalents at 1 January		357,067	220,957
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	475,740	428,836

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

United Gulf Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2017 (Reviewed)

	Attributable to shareholders of the parent								Total before non-controlling interests US\$ 000	Perpetual Tier 1 capital US\$ 000	Non-controlling interests US\$ 000	Total equity US\$ 000
	Share capital US\$ 000	Treasury shares US\$ 000	Share premium US\$ 000	Statutory reserve US\$ 000	General reserve US\$ 000	Treasury share reserve US\$ 000	Fair value reserve US\$ 000	Foreign currency translation reserve US\$ 000				
Balance at 1 January 2017	208,651	(18,131)	11,459	100,514	80,999	14,248	(49,966)	(37,476)	394,009	33,000	102,447	529,456
Profit for the period	-	-	-	-	-	-	-	-	4,679	-	457	5,136
Other comprehensive income	-	-	-	-	-	-	3,463	1,979	5,442	-	1,147	6,589
Total comprehensive income for the period	-	-	-	-	-	-	3,463	1,979	10,121	-	1,604	11,725
Perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	-	-
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(490)	(490)
Balance at 31 March 2017	208,651	(18,131)	11,459	100,514	80,999	14,248	(46,503)	(35,497)	404,130	33,000	103,561	540,691
Balance at 1 January 2016	208,651	(18,131)	11,459	99,888	80,373	14,248	(48,159)	(34,890)	393,936	-	109,331	503,267
Profit (loss) for the period	-	-	-	-	-	-	-	-	3,029	-	(2,602)	427
Other comprehensive (loss) income	-	-	-	-	-	-	(6,252)	2,136	(4,116)	-	2,816	(1,300)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(6,252)	2,136	(1,087)	-	214	(873)
Perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	33,000	-	33,000
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(766)	(766)
Balance at 31 March 2016	208,651	(18,131)	11,459	99,888	80,373	14,248	(54,411)	(32,754)	392,849	33,000	108,779	534,628

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Incorporation

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

Activities

The principal activities of the Bank and its 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 31 March 2017, KIPCO owned 97.77% of the Bank's outstanding shares (31 December 2016: 97.77%).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors 14 May 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2017 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 set of 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 2016. In addition, results for the three-month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Significant accounting policies

The accounting policies adopted in the preparation of these 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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

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

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but expects to disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Significant accounting policies (continued)****Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

Annual Improvements Cycle - 2014-2016**Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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	Legal ownership		Year of incorporation
		31 March 2017	31 December 2016	
Held directly				
FIMBank Group [FIMBank]	Malta	61%	61%	1994
KAMCO Investment Company K.S.C.P. [KAMCO]	Kuwait	86%	86%	1998
Hatoon Real Estate Company	Kuwait	98%	98%	2008
Syria Gulf Investment Company	Syria	99%	99%	2007
United Gulf Financial Services Company-North Africa	Tunisia	83%	83%	2008
United Gulf Realty International, Ltd	British Virgin Islands	100%	100%	2012
Held through KAMCO				
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	100%	100%	2007
Al Jazi Money Market Fund	Kuwait	48%	48%	2007
Al Tadamon United Holding Co	Kuwait	96%	0%	2017
Al Zad Real Estate W.L.L.	Kuwait	99%	99%	2007
Asset United Holding Co	Kuwait	96%	0%	2017
KAMCO Investment Company (DIFC) Limited	U.A.E.	100%	100%	2016
Kamco GCC Opportunistic Fund	Kuwait	87%	87%	2013
Kuwait Private Equity Opportunity Fund	Kuwait	71%	71%	2004
Nawasi United Holding Co	Kuwait	96%	0%	2017
North Africa Real Estate Co.	Kuwait	100%	100%	2014
Orange Real Estate Co. W.L.L.	Kuwait	0%	99%	2005
KAMCO Mena Plus Fixed Income Fund	Kuwait	51%	51%	2016
Spectre Finance Company Ltd	Kuwait	99%	0%	2017

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

3 BASIS OF CONSOLIDATION (continued)

Name of the subsidiary	Country of incorporation	Legal ownership		Year of incorporation
		31 March 2017	31 December 2016	
Held through FIMBank				
India Factoring and Finance Solutions Private Limited	India	86%	86%	2010
CIS Factors Holdings B.V.	Russia	0%	100%	2009
FIM Holdings (Chile) S.p.a.	Chile	100%	100%	2014
Latam Factors S.A.	Chile	51%	51%	2014
London Forfaiting Company Limited	United Kingdom	100%	100%	2009
London Forfaiting International Limited	United Kingdom	100%	100%	2009
London Forfaiting Americas Inc.	United States of 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
The Egyptian Company for Factoring S.A.E.	Egypt	100%	100%	2016

4 NON - TRADING INVESTMENTS

Included under non-trading investments are unquoted available for sale investments, primarily representing nominal equity stakes of up to 13.9% (31 December 2016: 13.9%) in various geographically and sectorally dispersed entities, amounting to US\$ 50,483 thousand (31 December 2016: US\$ 43,789 thousand) 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.

5 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

During the period, the Group acquired interest in certain special purpose vehicles (the "Entities"), for a consideration of US\$ 36,991 thousand and the Entities obtained financing of US\$ 38,824 thousand. Through these Entities, the Group acquired a property in the United Kingdom for a purchase price of US\$ 67,203 thousand and incurred related acquisition costs of US\$ 6,738 thousand. The Group classified these Entities as a "disposal group held for sale". The Group considered the Entities to meet the criteria to be classified as held for sale for the following reasons:

- Theses Entities are available for immediate sale and can be disposed of in their current condition; and
- The actions to complete disposal were initiated and expected to be completed within one year from the date of acquisition.

6 CASH AND CASH EQUIVALENTS

	Reviewed 31 March 2017 US\$ 000	Audited 31 December 2016 US\$ 000	Reviewed 31 March 2016 US\$ 000
Demand and call deposits with banks	166,854	169,717	267,003
Time deposits with original maturities of ninety days or less	308,886	187,350	161,833
	475,740	357,067	428,836

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

As at 31 March 2017 (Reviewed)

7 PERPETUAL TIER 1 CAPITAL

On 28th March 2016, the Bank issued Perpetual Additional Tier 1 Capital (the "AT1 Capital") amounting to US\$ 33,000 thousand.

The AT1 Capital constitutes subordinated obligations of the Bank and is classified as equity in accordance with IAS 32: Financial Instruments – Classification. The AT1 Capital does not have a maturity date and bears interest on its nominal amount from the date of issue at a fixed annual rate.

The AT1 Capital is redeemable by the Bank at its sole discretion on or after 28 March 2021 or on any interest payment date thereafter subject to the prior consent of the Central Bank of Bahrain.

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the AT1 Capital (for whatever reason), then the Bank must not make any other distribution on or with respect to its other shares that rank equally with or junior to the AT1 Capital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

8 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 three-month period are included in the interim condensed consolidated financial statements and are as follows:

	Reviewed			Reviewed		Reviewed	
	Three-month period ended 31 March 2017			Three-month period ended 31 March 2017		Three-month period ended 31 March 2016	
	Major shareholder	Associates	Other related parties	Major shareholder	Associates	Other related parties	Total
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Gain on investments carried at fair value through statement of income - net	-	12	1	-	13	-	-
Gain on sale of investments in associated and subsidiary companies	-	-	-	-	-	-	1,145
Gain on foreign currencies	-	3,621	-	-	3,621	-	-
Fees and commissions	622	1,328	1,720	622	1,328	1,720	3,792
Interest income	-	534	178	-	534	178	330
Interest expense	(96)	(4,242)	(775)	(96)	(4,242)	(775)	(4,947)
Others - net	543	27	(268)	543	27	(268)	1,693
Purchase transactions							
Non-trading investments*	-	-	-	-	-	-	94,449
Investment properties*	-	-	-	-	-	-	56,000
Sales transactions							
Investments in associated companies*	-	-	-	-	-	-	146,000

* The Group had sold investments in associated companies of US\$ 146,000 thousand and acquired certain non-trading investments of US\$ 94,449 thousand and investment properties of US\$ 56,000 thousand from related parties.

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 31 March 2017 (Reviewed)

8 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 31 March 2017			Audited 31 December 2016	Reviewed 31 March 2016
	Major shareholder US\$ 000	Associates US\$ 000	Other related parties US\$ 000	Total US\$ 000	US\$ 000
Demand and call deposits with banks	-	4,395	178	4,573	2,840
Placements with banks	-	-	20,498	20,498	28,483
Investments carried at fair value through statement of income	349	-	2,225	2,574	2,387
Investments carried at fair value through statement of income in funds managed by related party	-	-	-	-	9,962
Non-trading investments	-	-	28,306	28,306	20,788
Loans and receivables	-	7,211	23,380	30,591	33,245
Other assets	501	30,380	6,618	37,499	57,560
Due to banks and other financial institutions	-	(94,066)	(120,143)	(214,209)	(147,909)
Deposits from customers	(26)	(7,358)	(17,639)	(25,023)	(15,790)
Loans payable	-	(424,473)	-	(424,473)	(559,527)
Subordinated debt	-	(50,000)	-	(50,000)	(50,000)
Other liabilities	(547)	(5,034)	(2,671)	(8,252)	(9,628)
Perpetual Tier 1 Capital	-	-	(10,000)	(10,000)	(10,000)
Off statement of financial position items:					
Letters of guarantee	-	-	150	150	150
Funds managed or advised by the Group	-	-	34,857	34,857	30,934

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 31 March 2017 (Reviewed)

9 SEGMENTAL INFORMATION

Operating segments are reported in accordance with the internal reporting provided to 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 three-month period ended 31 March 2017 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	14,131	17,488	31,619
Share of results of associates - net	462	8,646	9,108
Total income	14,593	26,134	40,727
Operating income before provisions and tax	7,071	41	7,112
Provisions for loans and receivables	(177)	(323)	(500)
Provision for impairment on investments	(985)	-	(985)
Taxation - net	(1,178)	687	(491)
Net profit for the period	4,731	405	5,136
Profit attributable to shareholders of the parent			4,679
Profit attributable to non-controlling interests			457
Net profit for the period			5,136

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

9 SEGMENTAL INFORMATION (continued)

Segmental results (continued)

Segmental results for the three-month period ended 31 March 2016 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	8,156	14,617	22,773
Share of results of associates - net	1,792	8,442	10,234
Total income	9,948	23,059	33,007
Operating (loss) income before provisions and tax	(84)	1,200	1,116
Write-back of provisions on (provisions for) loans and receivables	3,000	(2,249)	751
Provision for impairment on investments	(1,700)	-	(1,700)
Taxation - net	-	278	278
Profit (loss) for the period from continuing operations	1,216	(771)	445
Discontinued operations			
Net loss from discontinued operations	-	(18)	(18)
Net profit (loss) for the period	1,216	(789)	427
Profit attributable to shareholders of the parent			3,029
Loss attributable to non-controlling interests			(2,602)
Net profit for the period			427

Segmental assets and liabilities

Segmental assets and liabilities at 31 March 2017 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	215,245	494,585	709,830
Segment assets	1,006,485	2,243,571	3,250,056
Segment liabilities	1,036,448	1,672,917	2,709,365

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

9 SEGMENTAL INFORMATION (continued)**Segmental assets and liabilities (continued)**

Segmental assets and liabilities at 31 December 2016 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	219,754	489,289	709,043
Segment assets	901,062	2,104,675	3,005,737
Segment liabilities	936,244	1,540,037	2,476,281

10 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 31 March 2017 US\$ 000</i>	<i>Audited 31 December 2016 US\$ 000</i>	<i>Reviewed 31 March 2016 US\$ 000</i>
Credit-related commitments:			
Letters of credit	69,965	52,044	40,038
Letters of guarantee	8,472	7,161	11,029
	78,437	59,205	51,067
Investments and loan related commitments	192,180	140,044	103,006
	270,617	199,249	154,073

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

11 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>Audited</i>	<i>Reviewed</i>
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<i>Derivatives held for trading:</i>			
Forward foreign exchange contracts *	471,936	432,242	295,151
<i>Derivatives used as hedge of net investments in foreign operations</i>			
Forward foreign exchange contracts	680,765	711,424	716,779
<i>Derivatives used as cash flow hedges</i>			
Interest rate swap	175,000	175,000	200,000

* 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.

12 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>31 March 2017</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	-	-	-	209,117	209,117
Placements with banks	-	-	-	308,886	308,886
Investments carried at fair value through statement of income	25,350	11,445	-	-	36,795
Non-trading investments	-	-	409,619	-	409,619
Loans and receivables	-	-	-	1,184,818	1,184,818
Other assets	4,890	896	-	115,330	121,116
Assets of disposal group classified as held for sale	-	-	-	75,147	75,147
Total financial assets	30,240	12,341	409,619	1,968,445	2,420,645
Due to banks and other financial institutions	-	-	-	769,445	769,445
Deposits from customers	-	-	-	995,905	995,905
Loans payable	-	-	-	792,910	792,910
Subordinated debt	-	-	-	50,000	50,000
Other liabilities	437	14	-	61,830	62,281
Liabilities of disposal group classified as held for sale	-	-	-	38,824	38,824
Total financial liabilities	437	14	-	2,708,914	2,709,365

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

12 FINANCIAL INSTRUMENTS (continued)

	<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>
31 December 2016	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Demand and call deposits with banks	-	-	-	176,880	176,880
Placements with banks	-	-	-	187,350	187,350
Investments carried at fair value through statement of income	26,050	19,128	-	-	45,178
Non-trading investments	-	-	404,436	-	404,436
Loans and receivables	-	-	-	1,184,804	1,184,804
Other assets	3,363	845	-	104,462	108,670
Total financial assets	29,413	19,973	404,436	1,653,496	2,107,318
Due to banks and other financial institutions	-	-	-	726,222	726,222
Deposits from customers	-	-	-	985,210	985,210
Loans payable	-	-	-	652,125	652,125
Subordinated debt	-	-	-	50,000	50,000
Other liabilities	-	-	-	62,724	62,724
Total financial liabilities	-	-	-	2,476,281	2,476,281

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\$ 50,483 thousand (31 December 2016: US\$ 43,789 thousand) carried at cost less impairment (Note 4).

13 FAIR VALUE MEASUREMENT

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 the Group's assets and liabilities 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 31 March 2017 (Reviewed)

13 FAIR VALUE MEASUREMENT (continued)

The following table shows an analysis of the Group's assets and liabilities recorded at fair value by level of the fair value hierarchy at 31 March 2017:

	<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				
Equities - quoted	13,272	-	-	13,272
Debt securities - quoted	12,078	-	-	12,078
Credit linked notes	10,087	-	-	10,087
Managed funds	-	1,358	-	1,358
Non-trading investments				
Equities - quoted	62,402	-	-	62,402
Debt securities - quoted	148,769	-	-	148,769
Equities - unquoted	-	78,257	682	78,939
Real estate managed funds - unquoted	-	11,363	-	11,363
Other managed funds	-	41,726	15,937	57,663
Derivatives				
Interest rate swap	-	896	-	896
Forward foreign exchange contracts	-	4,890	-	4,890
Investment properties	-	-	104,579	104,579
	246,608	138,490	121,198	506,296
Liabilities carried at fair value				
Derivatives				
Held for trading	-	14	-	14
Used as hedge of net investments in foreign operations	-	247	-	247
	-	261	-	261

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Reviewed)

13 FAIR VALUE MEASUREMENT (continued)

The following table shows an analysis of the Group's assets and liabilities recorded at fair value by level of the fair value hierarchy at 31 December 2016:

	<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				
Equities - quoted	15,485	-	-	15,485
Debt securities - quoted	10,565	-	-	10,565
Credit linked notes	17,800	-	-	17,800
Managed funds	-	1,328	-	1,328
Non-trading investments				
Equities - quoted	57,825	-	-	57,825
Debt securities - quoted	161,842	-	-	161,842
Equities - unquoted	-	78,052	474	78,526
Real estate managed funds - unquoted	-	11,673	-	11,673
Other managed funds	-	35,200	15,581	50,781
Unquoted debt securities	-	-	-	-
Derivatives				
Forward foreign exchange contracts	-	3,363	-	3,363
Interest rate swap	-	845	-	845
Investment properties	-	-	101,326	101,326
	<u>263,517</u>	<u>130,461</u>	<u>117,381</u>	<u>511,359</u>
Liabilities measured at fair value				
Derivatives				
Forward foreign exchange contracts	-	(8,841)	-	(8,841)
	<u>-</u>	<u>(8,841)</u>	<u>-</u>	<u>(8,841)</u>

Transfers between Level 1, Level 2 and Level 3

During the three-month period ended 31 March 2017 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.