

FIRST ENERGY BANK BSC (c)
30 SEPTEMBER 2017
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

Commercial registration	:	69089 (registered with Central Bank of Bahrain as a wholesale Islamic bank)
Registered Office	:	Bahrain Financial Harbour, West Tower, 20 th Floor P.O. Box 209, Manama, Kingdom of Bahrain Telephone +973 17170000
Directors	:	Khaleefa Bin Butti Bin Omair, <i>Chairman</i> Dr. Faisal Ahmed Gergab, <i>Vice-Chairman</i> Abdulla Abdulkarim Showaiter Adel A. Aziz Al Jabr Matar Mohamed Al Blooshi Khaled Jassim Kalban Mohamed Salim Omair Al Shamsi Ammar Ali Mohamed Jaber Abdulla Al Yousef Al Suwaidi
Chief Executive Officer	:	Mohamed Shukri Ghanem
Auditors	:	KPMG Fakhro, Bahrain

First Energy Bank BSC (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the nine months period ended 30 September 2017

CONTENTS	Page
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated interim financial information	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in equity	4 - 5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of sources and uses of zakah and charity fund	7
Notes to the condensed consolidated interim financial information	8 - 18



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1

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To
The Board of Directors
First Energy Bank BSC (c)
Manama, Kingdom of Bahrain

5 November 2017

Introduction

We have reviewed the accompanying 30 September 2017 condensed consolidated interim financial information of First Energy Bank BSC (c) (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2017;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2017; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 condensed consolidated 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 Auditing Standards for Islamic Financial Institutions and consequently 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 30 September 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

USD 000's

	Note	30 September 2017 (reviewed)	31 December 2016 (audited)
ASSETS			
Cash and bank balances		8,010	8,944
Placements with financial institutions	7	50,974	138,255
Financing assets		132,143	184,497
Ijarah assets	8	198,561	205,037
Investment securities	9	397,132	441,695
Equity accounted investees	10	45,414	54,944
Other assets	11	34,867	29,369
Property and equipment		11,510	9,765
Total assets		878,611	1,072,506
Liabilities and equity			
LIABILITIES			
Placements from financial institutions		76,713	171,218
Bank financing	12	87,798	197,805
Other liabilities		22,424	27,977
Total liabilities		186,935	397,000
EQUITY			
Share capital		1,000,000	1,000,000
Treasury shares	17	(7,261)	(7,261)
Statutory reserve		9,802	9,802
Investments fair value reserve		898	4,715
Foreign exchange translation reserve		(2,171)	(5,640)
Accumulated losses		(356,756)	(367,594)
Total equity attributable to shareholders of the parent		644,512	634,022
Non-controlling interests		47,164	41,484
TOTAL EQUITY		691,676	675,506
Total liabilities and equity		878,611	1,072,506

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 18 on 5 November 2017 and signed on its behalf by.



Khaleefa Bin Butti Bfn Omair
Chairman



Abdulla Al Yousef Al Suwaidi
Board Member



Mohamed Ghanem
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
For the nine months ended 30 September 2017

USD 000's

	Note	Nine months ended		Three months ended	
		30 September 2017 (reviewed)	30 September 2016 (reviewed)	30 September 2017 (reviewed)	30 September 2016 (reviewed)
INCOME					
<i>Ijarah assets</i>					
Rental income		5,999	7,042	606	2,651
Finance cost		(1,893)	(3,031)	(444)	(1,082)
Depreciation on Ijarah assets		(6,476)	(8,521)	(2,159)	(2,940)
Other operating expenses relating to Ijarah assets	13	(4,924)	(4,912)	(1,321)	(2,088)
Net income from Ijarah assets		(7,294)	(9,422)	(3,318)	(3,459)
Income from investment securities	16	25,672	11,732	14,720	3,055
Income from financing and placements with financial institutions		9,478	5,876	2,901	2,318
Gain on disposal of equity accounted investee	10	4,157	-	-	-
Share of results of equity accounted investees		(2,068)	46	(1,428)	30
Other income	17	1,590	7,481	223	220
Total income		31,535	15,713	13,098	2,164
EXPENSES					
Staff cost		6,623	6,466	2,140	253
Finance cost		1,888	1,893	573	662
Depreciation and amortization		318	504	87	150
Other operating expenses		6,130	3,715	1,334	1,091
Total expenses		14,959	12,578	4,134	2,156
Profit before impairment allowance		16,576	3,135	8,964	8
Impairment on investment securities		-	(1,306)	-	(898)
PROFIT / (LOSS) FOR THE PERIOD		16,576	1,829	8,964	(890)
Attributable to:					
Shareholders of the parent		16,496	6,047	8,979	668
Non-controlling interests		80	(4,218)	(15)	(1,558)
		16,576	1,829	8,964	(890)

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2017

USD 000's

	Equity attributable to shareholders of the parent						Non-controlling interests	Total equity	
	Share capital	Treasury shares	Statutory reserve	Investments fair value reserve	Foreign exchange translation reserve	Accumulated losses			Total
30 September 2017 (reviewed)									
Balance at 1 January 2017	1,000,000	(7,261)	9,802	4,715	(5,640)	(367,594)	634,022	41,484	675,506
Changes in fair value of investments at fair value through equity	-	-	-	(3,817)	-	-	(3,817)	-	(3,817)
Effects of exchange rate difference on equity accounted investees	-	-	-	-	3,469	-	3,469	-	3,469
Change in ownership interest in subsidiary	-	-	-	-	-	(5,558)	(5,558)	5,558	-
Profit for the period	-	-	-	-	-	16,496	16,496	80	16,576
Total recognised income and expense for the period	-	-	-	(3,817)	3,469	10,938	10,590	5,638	16,228
Issuance of share capital in a subsidiary	-	-	-	-	-	-	-	62	62
Transfer to zakah and charity fund	-	-	-	-	-	(100)	(100)	-	(100)
Dividends of subsidiary	-	-	-	-	-	-	-	(20)	(20)
Balance at 30 September 2017	1,000,000	(7,261)	9,802	898	(2,171)	(356,756)	644,512	47,164	691,676

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017 (continued)

USD 000's

	Equity attributable to shareholders of the parent						Total	Non-controlling Interests	Total equity
	Share capital	Treasury Shares	Statutory reserve	Investments fair value Reserve	Foreign exchange translation reserve	Accumulated losses			
30 September 2016 (reviewed)									
Balance at 1 January 2016	1,000,000	-	9,736	-	(5,076)	(278,601)	726,059	46,967	773,026
Effects of exchange rate difference on equity accounted investees	-	-	-	-	414	-	414	-	414
Profit for the period	-	-	-	-	-	6,047	6,047	(4,218)	1,829
Total recognised income and expense for the period	-	-	-	-	414	6,047	6,461	(4,218)	2,243
Transfer to zakah and charity fund	-	-	-	-	-	(100)	(100)	-	(100)
Acquisition of treasury shares	-	(7,261)	-	-	-	-	(7,261)	-	(7,261)
Dividends of subsidiary	-	-	-	-	-	-	-	(30)	(30)
Balance at 30 September 2016	1,000,000	(7,261)	9,736	-	(4,662)	(272,654)	725,159	42,719	767,878

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2017

USD 000's

	Note	Nine months ended 30 September 2017 (reviewed)	Nine months ended 30 September 2016 (reviewed)
OPERATING ACTIVITIES			
Net profit for the period		16,576	1,829
Adjustments for:			
Depreciation on Ijarah assets	8	6,476	8,521
Depreciation and amortisation		318	510
Amortization of (discount) / premium		(98)	104
Impairment allowance		-	1,306
Share of results of equity accounted investees		2,068	(46)
Gain on disposal of investment securities		(15,407)	(762)
Gain on disposal of equity accounted investees		(4,157)	
Gain on asset swap transaction		-	(7,261)
Loss on disposal of property and equipment		3	-
Operating profit before changes in operating assets and liabilities		5,779	4,201
Net changes in operating assets and liabilities:			
Financing assets		52,354	(37,779)
Other assets		(5,514)	14,548
Placements from financial institutions		(94,505)	41,433
Other liabilities		(5,965)	(6,521)
Payment to charities		(149)	(108)
Net cash (used in) / generated from operating activities		(48,000)	15,774
INVESTING ACTIVITIES			
Purchase of investment securities		(229,443)	(14,899)
Proceeds from disposal / maturity of investment securities		285,998	17,968
Proceeds from disposal of joint venture		15,245	-
Purchase of property and equipment and intangible assets		(2,050)	(86)
Net cash generated from investing activities		69,750	2,983
FINANCING ACTIVITIES			
Issuance of share capital in a subsidiary		62	-
Dividend paid to non-controlling interest		(20)	(30)
Repayment of bank financing		(110,007)	(3,038)
Proceeds from bank financing		-	40,000
Net cash (used in) / generated from financing activities		(109,965)	36,932
Net (decrease) / increase in cash and cash equivalents		(88,215)	55,689
Cash and cash equivalents at beginning of the period		147,199	136,993
Cash and cash equivalents at end of the period		58,984	192,682
Cash and bank balances		8,010	10,269
Placements with financial institutions with original maturity of 90 days or less		50,974	182,413
		58,984	192,682

The condensed consolidated interim financial information consists of pages 2 to 18.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND

For the nine months ended 30 September 2017

USD 000's

	Nine months ended 30 September 2017 (reviewed)	Nine months ended 30 September 2016 (reviewed)
Sources of zakah and charity funds		
Undistributed charity and zakah funds at the beginning of the period	104	136
Contributions by the Bank	100	100
Total sources of zakah and charity funds during the period	204	236
Uses of zakah and charity fund		
Contributions for charitable purposes	(149)	(108)
Total uses of funds during the period	(149)	(108)
Undistributed zakah and charity fund at end of the period	55	128

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the nine months ended 30 September 2017

1 REPORTING ENTITY

First Energy Bank BSC (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 23 June 2008, under Commercial Registration No. 69089. The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is at Building 1398, Road 4626, Block 346, Manama, Kingdom of Bahrain.

The principal activities of the Bank and its subsidiaries (the "Group") include Shari'a compliant investment advisory services, participation in project development, joint ventures, mergers and acquisitions and the purchase of assets and asset portfolios primarily related to the energy sector. The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board to ensure adherence to Shari'a rules and principles in its transactions and activities.

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards (IFRS). Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 - 'Interim Financial Reporting'.

The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Bank for the year ended 31 December 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the latest annual audited financial statements for the year ended 31 December 2016.

The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2016 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows and sources and uses of zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information of the Group for the nine months ended 30 September 2016.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**For the nine months ended 30 September 2017****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Basis of consolidation**

The condensed consolidated interim financial information includes the financial information of the Bank and its subsidiaries after elimination of inter group transactions and balances.

The following are the Group's significant subsidiaries as at 30 September 2017:

<i>Name of subsidiary</i>	<i>Equity interest</i>		<i>Nature of business</i>
	2017	2016	
North Africa Investment Company, Kingdom of Bahrain	100%	100%	To hold the Group's 40% associate stake in Arab Drilling and Workover Company, Libya.
First Energy Oman, Cayman Islands	100%	100%	To hold 15% stake in Al Izz Islamic Bank in Oman.
FEB-Novus Aircraft Holding Company, Bahamas	98.50%	98.50%	To purchase and lease one A330-300 aircraft to Malaysia Airlines.
MENAdrill Investment Company, Cayman Islands	99.99%	65%	Development and lease of oil rigs
Al Dur Energy Investment Company, Cayman Islands	59%	59%	To hold 15% indirect interest in a power and water plant project in the Kingdom of Bahrain.
FEB Aqar S.P.C., Kingdom of Bahrain	100%	100%	Real estate activities with own or lease property.
FEB Capital Ltd., United Arab Emirates	100%	-	Financial institution

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's audited consolidated financial statements as at and for the year ended 31 December 2016.

5 JUDGMENT AND ESTIMATES

Preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same as applied to the audited consolidated financial statements as at and for the year ended 31 December 2016.

6 SEASONALITY

Due to nature of the Bank's business, the nine months' results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2017

USD 000's

7 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	30 September 2017 (reviewed)	31 December 2016 (audited)
Commodity murabaha contracts	14,224	54,389
Wakala contracts	36,751	83,916
Total gross murabaha and wakala contracts	50,975	138,305
Less: Deferred profits on murabaha contracts	(1)	(50)
	50,974	138,255

The original maturity of commodity murabaha and wakala contracts are 90 days or less.

8 IJARAH ASSETS

	Aircraft	Oil rigs	Total
Cost:			
At 1 January 2017	100,000	172,783	272,783
At 30 September 2017	100,000	172,783	272,783
Depreciation:			
At 1 January 2017	17,700	50,046	67,746
Charge for the period	2,700	3,776	6,476
At 30 September 2017	20,400	53,822	74,222
Net book value:			
As at 30 September 2017 (reviewed)	79,600	118,961	198,561
As at 31 December 2016 (audited)	82,300	122,737	205,037

(i) The Aircraft is mortgaged against term financing (refer note 12).

(ii) This represents two oil rigs, one rig with a carrying value of USD 61,643 thousand (2016: USD 63,567 thousand) was mortgaged against murabaha financing, which was fully settled on 2 March 2017 (refer note 12).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

USD 000's

9 INVESTMENT SECURITIES

	30 September 2017 (reviewed)	31 December 2016 (audited)
Equity type instruments - at fair value through equity		
- Quoted equity securities (at fair value)	33,014	36,831
- Unquoted equity securities (at cost less impairment) (i)	995	995
	34,009	37,826
Debt type instruments - At amortised cost		
- Quoted Sukuk (ii)	266,077	306,823
- Subordinated financing (iii)	99,542	99,542
Collective impairment allowance	(2,496)	(2,496)
	363,123	403,869
Total investment securities	397,132	441,695

- (i) Unquoted equity securities represent 15% indirect investment in Al Dur Power and Water Company BSC (c).
- (ii) Quoted sukuk of USD 74 million (31 December 2016: USD 155 million) are pledged against general bank financing of USD 40 million (31 December 2016: USD 100 million) (refer note 12).
- (iii) Subordinated financing represents funding provided to Al Dur Power and Water Company BSC (c).

10 EQUITY ACCOUNTED INVESTEEES

	30 September 2017 (reviewed)	31 December 2016 (audited)
Associates	115,099	118,206
Joint ventures	-	12,125
Impairment allowance	(69,685)	(75,387)
	45,414	54,944

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

USD 000's

10 EQUITY ACCOUNTED INVESTEEES (continued)

Movement on the equity accounted investees during the period:

	30 September 2017 (reviewed)	31 December 2016 (audited)
At beginning of the period	54,944	76,880
Disposals during the year	(10,627)	-
Share of results of equity accounted investees	(2,068)	(2,251)
Impairment allowance	-	(18,993)
Foreign exchange translation differences	3,469	(564)
Intercompany finance expense	(304)	(128)
Balance at the end of the period	45,414	54,944

Intra-group gains on transactions between the Group and its equity accounted associates are eliminated to the extent of the Group's interest in the investees.

Equity accounted investees comprise the following:

Name	Country of incorporation	% holding	Nature of business
Associates:			
Arab Drilling and Workover Company ⁽ⁱ⁾	Libya	40%	Lease of oil drilling rigs
Al Izz Islamic Bank ⁽ⁱⁱ⁾	Oman	15.18%	Islamic retail banking
Adcan Pharma LLC (Adcan) ⁽ⁱⁱⁱ⁾	United Arab Emirates	40%	Pharmaceutical
Medisal for Pharmaceuticals Industry LLC (Medisal) ^(iv)	United Arab Emirates	45%	Pharmaceutical
Joint ventures			
Feboran AD ^(v)	Bulgaria	59.95%	Investment vehicle

(i) Due to the political situation in Libya, the investments have been fully provided for.

(ii) The information for 2017 presented in the table includes the results of Al Izz Islamic Bank based on the audited accounts for the period from 1 October 2016 to 31 December 2016 and management accounts for the period from 1 January 2017 to 30 June 2017.

(iii) This associate company is in the start-up phase. The information for 2017 presented in the table includes the results of Adcan based on the audited accounts for the period from 1 January 2016 to 31 December 2016 and management accounts for the period from 1 January 2017 to 30 June 2017.

(iv) The information for 2017 presented in the table includes the results of Medisal based on the audited accounts for the period from 1 January 2016 to 31 December 2016 and management accounts for the period from 1 January 2017 to 30 June 2017.

(v) The information for 2017 presented in the table includes the results of Feboran AD based on the management accounts for the period from 1 October 2016 to 31 December 2016. During the period, the Bank sold its entire stake in the joint venture to Borealis resulting in a gain on disposal of USD 4.2 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

USD 000's

11 OTHER ASSETS

	30 September 2017 (reviewed)	31 December 2016 (audited)
Receivable from investee *	12,096	11,681
Ijarah rental receivable	16,055	10,921
Prepayments and advances	3,996	3,692
Intangible assets	44	60
Others	2,676	3,015
	34,867	29,369

* Receivable from investee represents an amount advanced to Al Dur Power and Water Company, an investee of the Group, to meet liability reserve account (LRA) funding requirement under a common term agreement, whereby the shareholders are required to fund such account for the purpose of meeting the repayment of senior debt obligations of the investee.

12 BANK FINANCING

	30 September 2017 (reviewed)	31 December 2016 (audited)
<i>Financing for Ijarah assets</i>		
Murabaha financing *	-	46,356
Term financing **	47,044	50,376
	47,044	96,732
General financing ***	40,754	101,073
	87,798	197,805

* Murabaha financing is secured by a mortgage on an oil rig (note 8). Murabaha financing has been obtained by Menadrill Investment Company, a 99.99% subsidiary of the Bank at a floating rate 3 month Libor plus 4% that was repaid on 2 March 2017.

** Term financing is secured by a mortgage over an aircraft (note 8). Term financing has been obtained by FEB-Novus Fin One Ltd Bahamas, a 100% subsidiary of FEB-Novus Aircraft Holding Company, Bahamas which is a 98.5% subsidiary of the Bank. Term financing is at a floating rate of 1 month Libor plus 3.20% maturing on 23 January 2024.

*** This represent financing for general purpose secured by sukuk (note 9).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

USD 000's

13 OTHER OPERATING EXPENSES RELATING TO IJARAH ASSETS

	30 September 2017 (reviewed)	30 September 2016 (reviewed)
Repairs and maintenance - rigs	3,612	1,767
Insurance - rigs	371	1,817
Professional and consultancy fee	451	692
Miscellaneous expenses	490	636
	4,924	4,912

14 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors, Shari'a supervisory board, external auditors and executive management of the Group and/or entities over which they exercise control and/or significant influence.

The significant balances with related parties were as follows:

30 September 2017 (reviewed)	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
Assets				
Cash and bank balances	-	-	26	26
Placements with financial institutions	-	-	2,101	2,101
Financing assets	13,088	-	50,928	64,016
Equity accounted investees	45,414	-	-	45,414
Other assets	10	-	-	10
Liabilities				
Placements from financial institutions	-	-	34,696	34,696
Other liabilities	244	1,040	11,288	12,572

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

USD 000's

14 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
31 December 2016(audited)				
Assets				
Cash and bank balances	-	-	139	139
Placements with financial institutions	-	-	3,001	3,001
Financing assets	10,448	-	100,078	110,526
Equity accounted investees	54,944	-	-	54,944
Other assets	10	-	-	10
Liabilities				
Placements from financial institutions	-	-	34,319	34,319
Other liabilities	3,273	762	11,288	15,323

The transactions with related parties included in the condensed consolidated statement of income were as follows:

	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
30 September 2017 (reviewed)				
Income				
Income from financing and placements with financial institutions	427	-	3,704	4,131
Gain on disposal of equity accounted investee	4,157	-	-	4,157
Share of results of equity accounted investees	(2,068)	-	-	(2,068)
Other income	16	-	1,368	1,384
Expenses				
Staff cost	-	2,051	-	2,051
Financing cost on placements from financial institutions	-	-	377	377
Other operating expenses	-	582	-	582

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

USD 000's

14 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
30 September 2016 (reviewed)				
Income				
Share of results of equity accounted investees	46	-	-	46
Expenses				
Staff cost	-	2,068	-	2,068
Financing cost on placements from financial institutions	-	-	288	288
Other operating expenses	-	787	-	787

15 COMMITMENTS

	30 September 2017 (reviewed)	31 December 2016 (audited)
Financing commitments	1,163	1,866
Operating lease commitments	727	626
	1,890	2,492

16 INCOME FROM INVESTMENT SECURITIES

	30 September 2017 (reviewed)	30 September 2016 (reviewed)
Income from sukuk	8,483	9,189
Dividend income	1,782	1,781
Gain on disposal of sukuk	3,661	-
Gain on disposal of unquoted equity securities	11,746	-
Gain on disposal of quoted equity securities	-	762
	25,672	11,732

During the period, the Bank disposed of an unquoted equity investment that was previously fully provided for in return for USD 11,746 thousand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

USD 000's

17 TREASURY SHARES

In 2016, the Bank entered into a swap agreement with one of its shareholders whereby, the Bank acquired 10,000,000 treasury shares (at USD 7,261 thousand) and 100,000 equity shares (at USD 125 thousand) of one of its subsidiaries in exchange for 200,000 shares in an existing unquoted equity investment which is fully provided for. Since the shares given up were fully provided, the Bank recognised a gain of USD 7,261 thousand on this swap transaction.

The shareholders in their meeting on 10 May 2016 approved the acquisition of treasury shares.

18 FINANCIAL INSTRUMENTS

I. Financial instruments at fair value:

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair value of quoted securities is derived from quoted market prices in active markets, if available.

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

30 September 2017 (reviewed)	Level 1	Level 2	Level 3	Total
Fair value through equity				
Quoted equity securities	33,014	-	-	33,014
31 December 2016 (audited)	Level 1	Level 2	Level 3	Total
Fair value through equity				
Quoted equity securities	36,831	-	-	36,831

II. Financial instruments not at fair value:

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group:

30 September 2017 (reviewed)	Carrying amount	Fair value
Financial assets:		
Financing assets	132,143	132,143
Ijarah assets	198,561	198,561
Investment securities ¹	296,595	298,561
Total	627,299	629,265
Financial liabilities:		
Bank financing	87,798	87,798
Total	87,798	87,798

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2017

USD 000's

18 FINANCIAL INSTRUMENTS (continued)

ii Financial instruments not at fair value (continued):

31 December 2016 (audited)		
	Carrying amount	Fair value
Financial assets:		
Financing assets	184,497	184,497
Ijarah assets	205,037	205,037
Investment securities ¹	341,158	348,815
Total	730,692	738,349
Financial liabilities:		
Bank financing	197,805	197,805
Total	197,805	197,805

¹ Equity type instruments carried at cost less impairment, of USD 995 thousand (31 December 2016: USD 995 thousand) and debt type instruments of USD 99,542 (31 December 2016: USD 99,542) are excluded due to absence of reliable measure of fair value and amortised cost classification, respectively.

The fair values of other financial instruments on the reporting date are not significantly different from their carrying values.