

**FIRST ENERGY BANK BSC (c)**  
**30 SEPTEMBER 2015**  
**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 <sup>th</sup> Floor P.O. Box 209, Manama, Kingdom of Bahrain Telephone +973 17170000
Directors	:	H. E. Khadem Abdulla Al Qubaisi, <i>Chairman</i> H. E. Abdulla Saif Al Nuaimi, <i>Vice-Chairman</i> Dr. Faisal Ahmed Gergab Abdulla Abdulkarim Showaiter Adel A. Aziz Al Jabr Mohamed Badawy Al-Husseiny
Director and CEO	:	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 2015**

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## **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

29 October 2015

### **Introduction**

We have reviewed the accompanying 30 September 2015 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 2015;
- the condensed consolidated income statement for the three-month and nine-month period ended 30 September 2015;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2015;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2015;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2015; and
- notes to the condensed consolidated 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 2015 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 2015**

USD 000's

	Note	30 September 2015 (reviewed)	31 December 2014 (audited)
<b>ASSETS</b>			
Cash and bank balances		18,570	19,026
Placements with financial institutions	7	127,075	112,868
Murabaha financing		29,617	32,863
Ijarah assets	8	435,445	502,725
Investment securities	9	456,473	532,205
Equity accounted investees	10	104,891	117,187
Other assets	11	71,649	32,547
Property and equipment		10,236	10,188
<b>Total assets</b>		<b>1,253,956</b>	<b>1,359,609</b>
<b>Liabilities and equity</b>			
<b>LIABILITIES</b>			
Placements from financial institutions		136,244	104,081
Financing for Ijarah assets	12	102,198	105,812
Other liabilities		29,429	31,093
<b>Total liabilities</b>		<b>267,871</b>	<b>240,986</b>
<b>EQUITY</b>			
Share capital		1,000,000	1,000,000
Statutory reserve		9,736	9,736
Investment fair value reserve		-	(41,621)
Foreign exchange translation reserve		(4,806)	(3,655)
(Accumulated losses) / retained earnings		(118,460)	25,418
<b>Total equity attributable to shareholders of the parent</b>		<b>886,470</b>	<b>989,878</b>
Non-controlling interests		99,615	128,745
<b>TOTAL EQUITY</b>		<b>986,085</b>	<b>1,118,623</b>
<b>Total liabilities and equity</b>		<b>1,253,956</b>	<b>1,359,609</b>

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 17 on 29 October 2015 and signed on its behalf by:



H.E. Khadem Al Qubaisi  
Chairman



Mohamed Ghanem  
Board Member and CEO

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**For the nine months ended 30 September 2015**

USD 000's

	Note	Nine months ended		Three months ended	
		30 September 2015 (reviewed)	30 September 2014 (reviewed)	30 September 2015 (reviewed)	30 September 2014 (reviewed)
<b>INCOME</b>					
<i>Ijarah assets</i>					
Rental income from Ijarah assets		15,965	44,872	10,823	8,182
Other income	13	49,750	3,500	-	3,500
Financing cost		(2,894)	(2,970)	(949)	(944)
Depreciation on Ijarah assets		(11,989)	(11,161)	(5,644)	(3,460)
Other expenses relating to Ijarah assets	14	(51,720)	(34,323)	(4,769)	(4,479)
<b>Net income from Ijarah assets</b>		<b>(888)</b>	<b>(82)</b>	<b>(539)</b>	<b>2,799</b>
Income from investment securities		11,204	74,913	2,544	3,859
Income from financing and placements with financial institutions		2,204	2,550	711	815
Share of results of equity accounted investees		(1,853)	1,267	141	(471)
<b>Total income</b>		<b>10,667</b>	<b>78,648</b>	<b>2,857</b>	<b>7,002</b>
<b>EXPENSES</b>					
Staff costs		9,156	8,500	2,922	2,639
Financing cost on placements from financial institutions		514	276	313	89
Depreciation and amortization		519	199	186	66
Other operating expenses		3,739	2,454	1,365	81
<b>Total expenses</b>		<b>13,928</b>	<b>11,429</b>	<b>4,786</b>	<b>2,875</b>
<b>(Loss) / profit for the period before impairment allowance</b>		<b>(3,261)</b>	<b>67,219</b>	<b>(1,929)</b>	<b>4,127</b>
Impairment allowance	15	(159,217)	(23,000)	(94,857)	-
<b>(LOSS) / PROFIT FOR THE PERIOD</b>		<b>(162,478)</b>	<b>44,219</b>	<b>(96,786)</b>	<b>4,127</b>
<b>Attributable to:</b>					
Shareholders of the parent		(133,378)	49,198	(70,313)	3,927
Non-controlling interests		(29,100)	(4,979)	(26,473)	200
		<b>(162,478)</b>	<b>44,219</b>	<b>(96,786)</b>	<b>4,127</b>

The condensed consolidated interim financial information consists of pages 2 to 17.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

USD 000's

	Equity attributable to shareholders of the parent						Non-Controlling Interests	Total Equity
	Share Capital	Statutory reserve	Investments fair value reserve	Foreign exchange translation reserve	Accumulated losses	Total		
<b>30 September 2015 (reviewed)</b>								
Balance at 1 January 2015	1,000,000	9,736	(41,621)	(3,655)	25,418	989,878	128,745	1,118,623
Changes in fair value of investments at fair value through equity	-	-	(11,704)	-	-	(11,704)	-	(11,704)
Transfer to income statement on impairment of investments	-	-	53,325	-	-	53,325	-	53,325
Effects of exchange rate difference on equity accounted investees	-	-	-	(1,151)	-	(1,151)	-	(1,151)
Loss for the period	-	-	-	-	(133,378)	(133,378)	(29,100)	(162,478)
<b>Total recognized income and expense for the period</b>	-	-	<b>41,621</b>	<b>(1,151)</b>	<b>(133,378)</b>	<b>(92,908)</b>	<b>(29,100)</b>	<b>(122,008)</b>
Transfer to zakah and charity fund	-	-	-	-	(500)	(500)	-	(500)
Dividend declared	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Dividends of subsidiary	-	-	-	-	-	-	(30)	(30)
<b>Balance at 30 September 2015</b>	<b>1,000,000</b>	<b>9,736</b>	-	<b>(4,806)</b>	<b>(118,460)</b>	<b>886,470</b>	<b>99,615</b>	<b>986,085</b>

The condensed consolidated interim financial information consists of pages 2 to 17.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

USD 000's

	Equity attributable to shareholders of the parent							Non-Controlling Interests	Total equity
	Share Capital	Statutory reserve	Investments fair value reserve	Foreign exchange translation reserve	Retained earnings	Total	Total equity		
30 September 2014 (reviewed)									
Balance at 1 January 2014	1,000,000	7,991	11,464	(1,968)	36,074	1,053,561	132,776	1,186,337	
Transfer to income statement on disposal of investments	-	-	(11,464)	-	-	(11,464)	-	(11,464)	
Fair value changes on equity investments	-	-	(14,297)	-	-	(14,297)	-	(14,297)	
Effects of exchange rate difference on equity accounted investees	-	-	-	(1,225)	-	(1,225)	-	(1,225)	
Profit for the period	-	-	-	-	49,198	49,198	(4,979)	44,219	
Total recognized income and expense for the period	-	-	(25,761)	(1,225)	49,198	22,212	(4,979)	17,233	
Transfer to zakah and charity fund	-	-	-	-	(1,384)	(1,384)	-	(1,384)	
Dividend declared	-	-	-	-	(25,000)	(25,000)	-	(25,000)	
Dividends of subsidiary	-	-	-	-	-	-	(31)	(31)	
Balance at 30 September 2014	1,000,000	7,991	(14,297)	(3,193)	58,888	1,049,389	127,766	1,177,155	

The condensed consolidated interim financial information consists of pages 2 to 17.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the nine months ended 30 September 2015**

USD 000's

	<b>Nine months ended 30 September 2015 (reviewed)</b>	<b>Nine months ended 30 September 2014 (reviewed)</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net (loss) / profit for the period</b>	(162,478)	44,219
<b>Adjustments for:</b>		
Depreciation on Ijarah assets	11,989	11,161
Depreciation and amortization	526	199
Amortization of premium	1,020	2,528
Impairment allowance	159,217	23,000
Share of results of equity accounted investees	1,853	(1,267)
Gain on disposal of investment securities	(724)	(64,985)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>11,403</b>	<b>14,855</b>
<b>Net changes in operating assets and liabilities:</b>		
Murabaha financing	3,475	(33,577)
Other assets	(39,129)	(10,959)
Placements from financial institutions	32,163	4,061
Other liabilities	(3,393)	29,891
Payment to charities	(524)	(962)
<b>Net cash generated from operating activities</b>	<b>3,995</b>	<b>3,309</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment securities	(156,818)	(213,711)
Proceeds from disposal / maturity of investment securities	179,012	194,190
Purchase of property and equipment	(547)	(503)
<b>Net cash generated from / (used in) investing activities</b>	<b>21,647</b>	<b>(20,024)</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interest	(30)	(31)
Dividend paid to shareholders	(8,247)	(25,480)
Repayment of financing for Ijarah assets	(3,614)	(5,946)
<b>Net cash used in financing activities</b>	<b>(11,891)</b>	<b>(31,457)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>13,751</b>	<b>(48,172)</b>
Cash and cash equivalents at beginning of the period	131,894	185,174
<b>Cash and cash equivalents at end of the period</b>	<b>145,645</b>	<b>137,002</b>
Cash and bank balances	18,570	21,174
Placements with financial institutions with original maturity of 90 days or less	127,075	115,828
	<b>145,645</b>	<b>137,002</b>

The condensed consolidated interim financial information consists of pages 2 to 17.



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

For the nine months ended 30 September 2015

USD 000's

	<b>Nine months ended 30 September 2015 (reviewed)</b>	<b>Nine months ended 30 September 2014 (reviewed)</b>
<b>Sources of zakah and charity funds</b>		
Undistributed charity and zakah funds at the beginning of the period	209	11
Contributions by the Bank	500	1,384
<b>Total sources of zakah and charity funds during the period</b>	<b>709</b>	<b>1,395</b>
<b>Uses of zakah and charity fund</b>		
Contributions for charitable purposes	(524)	(962)
<b>Total uses of funds during the period</b>	<b>(524)</b>	<b>(962)</b>
<b>Undistributed zakah and charity fund at end of the period</b>	<b>185</b>	<b>433</b>

The condensed consolidated interim financial information consists of pages 2 to 17.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the nine months ended 30 September 2015**

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## **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 is regulated by the CBB and supervised by a Shari'a Supervisory Board for compliance with Shari'a rules and principles.

## **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 Group for the year ended 31 December 2014. 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 2014.

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 2014 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows and changes in 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 2014.

## **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 2014, except as stated below:

### **New amendments issued during the period and effective for annual reporting period ending or on after 31 December 2015**

#### *FAS 23 - Consolidation*

During the period, AAOIFI issued amendment to FAS 23 - Consolidation. The amendment provides additional guidance on the way an Islamic Financial Institution should determine when an entity should be consolidated.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the nine months ended 30 September 2015**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The amendment that has been introduced by AAOIFI provides that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the Islamic financial institutions that give de facto power over an entity, potential voting rights, or a combination of these factors.

The amendment is effective for annual reporting period ending on or after 31 December 2015. The amendment did not have an impact on the Group's consolidated financial statements.

**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 2015:

<i>Name of subsidiary</i>	<i>Equity interest</i>	<i>Nature of business</i>
North Africa Investment Company, Kingdom of Bahrain	100%	To hold the Group's 40% associate stake in Arab Drilling and Workover Company, Libya.
First Energy-Oman, Cayman Islands	100%	To hold 15% stake in Al Izz Islamic bank in Oman.
FEB-Novus Aircraft Holding Company, Bahamas	98.5%	To purchase and lease one A330-300 aircraft to Malaysian Airlines System.
MENAdrill Investment Company, Cayman Islands	59.44%	Development and lease of jack up oil rigs
Al Dur Energy Investment Company, Cayman Islands	59%	To hold 15% indirect interest in a power and water plant project in the Kingdom of Bahrain.

**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 2014.

**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 2014. (refer note 15)

**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 2015**

**7 PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<b>30 September 2015 (reviewed)</b>	<b>31 December 2014 (audited)</b>
Commodity murabaha contracts	84,810	68,969
Wakala contracts	42,274	43,903
<b>Gross murabaha and wakala contracts</b>	<b>127,084</b>	<b>112,872</b>
Less: Deferred profits	(9)	(4)
	<b>127,075</b>	<b>112,868</b>

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

**8 IJARAH ASSETS**

	<b>Aircraft <sup>(i)</sup></b>	<b>Oil rigs <sup>(ii)</sup></b>	<b>WIP</b>	<b>Total</b>
<b>Cost:</b>				
At 1 January 2015	100,000	441,752	-	541,752
Additions	-	51,000	5,601	56,601
Derecognised <sup>(iii)</sup>	-	(51,000)	-	(51,000)
Impairment <sup>(iv)</sup>	-	(60,892)	-	(60,892)
<b>At 30 September 2015</b>	<b>100,000</b>	<b>380,860</b>	<b>5,601</b>	<b>486,461</b>
<b>Depreciation:</b>				
At 1 January 2015	10,500	28,527	-	39,027
Charge for the period <sup>(iv)</sup>	2,700	9,289	-	11,989
<b>At 30 September 2015</b>	<b>13,200</b>	<b>37,816</b>	<b>-</b>	<b>51,016</b>
<b>Net book value:</b>				
<b>As at 30 September 2015 (reviewed)</b>	<b>86,800</b>	<b>343,044</b>	<b>5,601</b>	<b>435,445</b>
<b>As at 31 December 2014 (audited)</b>	<b>89,500</b>	<b>413,225</b>	<b>-</b>	<b>502,725</b>

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

(ii) This represents two oil rigs. One rig with a carrying value of USD 196,253 thousand (2014: USD 198,872 thousand) is mortgaged against murabaha financing (note 12).

(iii) During the first quarter, one of the rigs suffered damage due to an explosion and as a result, the management derecognized USD 51,000 thousand relating to the damaged components. During the third quarter, and upon completion of the repairs, USD 51,000 thousand was capitalised to the rig.

(iv) During the quarter, the management reassessed the estimated useful life and the residual value of the rigs taking into account the impact of decline of oil prices and consequent reduction in the rates that can be charged. This has resulted in an additional depreciation charge for the period of USD 2,292 thousand and impairment of USD 60,892 thousand.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the nine months ended 30 September 2015**

**9 INVESTMENT SECURITIES**

	<b>30 September 2015 (reviewed)</b>	<b>31 December 2014 (audited)</b>
<b>Equity type instruments - at fair value through equity</b>		
- Quoted equity securities (at fair value)	39,153	100,980
- Unquoted equity securities (at cost less impairment)	995	15,995
	<b>40,148</b>	<b>116,975</b>
<b>Debt type instruments - At amortised cost</b>		
- Quoted Sukuk	319,050	317,955
- Subordinated financing	99,542	99,542
Collective impairment allowance	(2,267)	(2,267)
	<b>416,325</b>	<b>415,230</b>
	<b>456,473</b>	<b>532,205</b>

Unquoted equity securities are net of impairment allowance of USD 40,000 thousand (31 December 2014: USD 25,000 thousand). During the period, the Bank has recognised an impairment allowance of USD 53,325 thousand (30 September 2014: Nil) on quoted equity securities carried at fair value through equity (note 15).

**10 EQUITY ACCOUNTED INVESTEEES**

	<b>30 September 2015 (reviewed)</b>	<b>31 December 2014 (audited)</b>
Associates	93,174	104,095
Joint ventures	11,717	13,092
	<b>104,891</b>	<b>117,187</b>

The movement on equity-accounted investees is as follows:

	<b>30 September 2015 (reviewed)</b>	<b>31 December 2014 (audited)</b>
At beginning of the period	117,187	120,558
Additional investment	20,708	325
Share of profits of equity-accounted investees, net	(1,853)	(2,009)
Impairment allowance (note 15)	(30,000)	-
Foreign exchange translation differences	(1,151)	(1,687)
Balance at the end of the period	<b>104,891</b>	<b>117,187</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the nine months ended 30 September 2015**

**10 EQUITY ACCOUNTED INVESTEEES (continued)**

Equity accounted investees comprise the following:

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

(i) Due to the political situation in Libya, the financial information of the associate company is not reliable, hence, the Group has stopped accounting for its share of profit or loss since 2014. During the period, the management has estimated an impairment allowance of USD 30 million (30 September 2014: Nil). (note 15)

(ii) Equity accounted for based on the management accounts, for the six month ended 30 June 2015.

(iii) + (iv) During the third quarter the Group acquired 40% stake in Adcan and 45% stake in Medisal. These associate companies are in the start-up phase.

(v) Equity accounted for based on the management accounts for the six month ended 30 June 2015.

**11 OTHER ASSETS**

	<b>30 September 2015 (reviewed)</b>	<b>31 December 2014 (audited)</b>
Insurance claim (note 13)	1,727	2,613
Receivable from investee *	11,722	11,399
Ijarah rental receivable **	50,339	9,514
Deferred expenses	1,862	2,101
Prepayments and advances	4,172	4,214
Intangible assets	160	179
Others	1,667	2,527
	<b>71,649</b>	<b>32,547</b>

\* 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.

\*\* This includes advances for ijarah rental of USD 47,917 thousand.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the nine months ended 30 September 2015**

**12 FINANCING FOR IJARAH ASSETS**

	<b>30 September 2015 (reviewed)</b>	<b>31 December 2014 (audited)</b>
Murabaha financing *	46,335	46,442
Term financing **	55,863	59,370
	<b>102,198</b>	<b>105,812</b>

\*Murabaha financing has been obtained by Menadrill Investment Company, a 59.44% subsidiary of the Bank at a floating rate of 3 months Libor plus 4% maturing on 4 December 2015 and is secured by a mortgage over an oil rig (note 8).

\*\*The 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 3.45% maturing on 23 January 2024 and is secured by a mortgage over an aircraft (note 8).

**13 OTHER INCOME**

This represents insurance claim towards repair cost in respect of the rigs which suffered damage as a result of an explosion. The amount has largely been received.

**14 OTHER OPERATING EXPENSES RELATING TO IJARAH ASSETS**

	<b>30 September 2015 (reviewed)</b>	<b>30 September 2014 (reviewed)</b>
Repairs and maintenance - rigs	45,868	26,609
Insurance - rigs	2,311	2,765
Professional and consultancy fee	990	2,475
Miscellaneous expenses	2,551	2,474
	<b>51,720</b>	<b>34,323</b>

**15 IMPAIRMENT ALLOWANCE**

	<b>30 September 2015 (reviewed)</b>	<b>30 September 2014 (reviewed)</b>
Quoted equity securities (note 9)	53,325	-
Unquoted equity securities	15,000	3,000
Equity accounted investees (note 10)	30,000	-
Ijarah assets - Oil rigs (note 8) *	60,892	-
Project work-in-progress	-	20,000
	<b>159,217</b>	<b>23,000</b>

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**15 IMPAIRMENT ALLOWANCE (continued)**

\* During the quarter, the management carried out an assessment of the impact of the drop in the oil prices and the charter rates that can be charged for the rigs and consequently on the expected cash flows from deploying the rigs. Based on a recent valuation of the rigs an impairment of USD 60,892 thousand and additional depreciation of USD 2,292 thousand has been recognised during the quarter.

**16 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. During the period, the Bank did not have any transactions with entities in which directors are interested.

The significant balances with related parties were as follows:

	<b>Associates</b>	<b>Key management personnel/ Shari'a board members/ external auditors</b>	<b>Significant shareholders/ board members/ entities in which directors are interested</b>	<b>Total</b>
<b>30 September 2015 (reviewed)</b>				
<b>Assets</b>				
Cash and bank balances	-	-	109	<b>109</b>
Equity accounted investees	104,891	-	-	<b>104,891</b>
Other assets	7	-	-	<b>7</b>
<b>Liabilities</b>				
Placements from financial institutions	-	-	32,000	<b>32,000</b>
Other liabilities	-	831	13,315	<b>14,146</b>
<b>31 December 2014 (audited)</b>				
<b>Assets</b>				
Cash and bank balances	-	-	436	<b>436</b>
Equity accounted investees	117,187	-	-	<b>117,187</b>
Other assets	6	-	-	<b>6</b>
<b>Liabilities</b>				
Placements from financial institutions	-	-	32,000	<b>32,000</b>
Other liabilities	-	685	9,809	<b>10,494</b>



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**16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

The transactions with related parties included in the 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
<b>30 September 2015 (reviewed)</b>				
<b>Income</b>				
Share of results of associates	(1,853)	-	-	(1,853)
<b>Expenses</b>				
Staff costs	-	1,618	-	1,618
Financing cost on placements from financial institutions	-	-	128	128
Other operating expenses	-	1,261	-	1,261
Impairment allowance	30,000	-	-	30,000

	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
<b>30 September 2014 (reviewed)</b>				
<b>Income</b>				
Share of results of associates	1,267	-	-	1,267
<b>Expenses</b>				
Staff costs	-	1,418	-	1,418
Financing cost on placements from financial institutions	-	-	158	158
Other operating expenses	-	932	-	932

**17 COMMITMENTS**

	30 September 2015 (reviewed)	31 December 2014 (audited)
Forward treasury commitments	6,400	6,684
Operating lease commitments	1,262	1,565
	<b>7,662</b>	<b>8,249</b>

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**18 DIVIDEND DECLARED**

At the Annual General Meeting held on 31 March 2015, the shareholders of the Group resolved to distribute USD 10,000 thousand as cash dividends.

**19 FINANCIAL INSTRUMENTS**

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

**30 September 2015 (reviewed)**

	Carrying amount	Fair value
<b>Financial assets:</b>		
Cash and bank balances	18,570	18,570
Placements with financial institutions	127,075	127,075
Murabaha financing	29,617	29,617
Ijarah assets	435,445	435,445
Investment securities <sup>1</sup>	39,153	39,153
Other assets <sup>2</sup>	64,955	64,955
<b>Total</b>	<b>714,815</b>	<b>714,815</b>

<b>Financial liabilities:</b>		
Placements from financial institutions	136,244	136,244
Financing for Ijarah assets	102,198	102,198
Other liabilities <sup>3</sup>	27,798	27,798
<b>Total</b>	<b>266,240</b>	<b>266,240</b>

**31 December 2014 (audited)**

	Carrying amount	Fair value
<b>Financial assets:</b>		
Cash and bank balances	19,026	19,026
Placements with financial institutions	112,868	112,868
Murabaha financing	32,863	32,863
Ijarah assets	502,725	502,725
Investment securities <sup>1</sup>	100,980	100,980
Other assets <sup>2</sup>	25,553	25,553
<b>Total</b>	<b>794,015</b>	<b>794,015</b>

<b>Financial liabilities:</b>		
Placements from financial institutions	104,081	104,081
Financing for Ijarah assets	105,812	105,812
Other liabilities <sup>3</sup>	29,466	29,466
<b>Total</b>	<b>239,359</b>	<b>239,359</b>

1 Equity type instruments carried at cost less impairment, of USD 995 thousand (31 December 2014: USD 15,995 thousand) and debt type instruments of USD 416,325 (31 December 2014: USD 415,230) are excluded due to absence of reliable measure of fair value and amortised cost classification, respectively.

2 Other assets are excluding deferred expenses, advances paid and other intangible assets.

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**20 FINANCIAL INSTRUMENTS (continued)**

3 Other liabilities are excluding deferred income.

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

***Fair value hierarchy***

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 (Level 1).

Certain unquoted investments at fair value through equity are investments amounting to USD 995 thousand (31 December 2014: USD 15,995 thousand) carried at cost less provision for impairment in the absence of a reliable measure of fair value.

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.

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

<b>30 September 2015 (reviewed)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair value through equity:</b>				
Quoted equity securities	<b>39,153</b>	-	-	<b>39,153</b>
<b>31 December 2014 (audited)</b>				
<b>Fair value through equity:</b>				
Quoted equity securities	100,980	-	-	100,980