

FIRST ENERGY BANK BSC (c)

30 JUNE 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 six months period ended 30 June 2017

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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

9 August 2017

Introduction

We have reviewed the accompanying 30 June 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 June 2017;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2017;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2017;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2017;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 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 June 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 June 2017

USD 000's

	Note	30 June 2017 (reviewed)	31 December 2016 (audited)
ASSETS			
Cash and bank balances		7,788	8,944
Placements with financial institutions	7	40,906	138,255
Financing assets		134,865	184,497
Ijarah assets	8	200,720	205,037
Investment securities	9	396,127	441,695
Equity accounted investees	10	46,962	54,944
Other assets	11	32,643	29,369
Property and equipment		10,733	9,765
Total assets		870,744	1,072,506
Liabilities and equity			
LIABILITIES			
Placements from financial institutions		76,565	171,218
Bank financing	12	88,651	197,805
Other liabilities		23,262	27,977
Total liabilities		188,478	397,000
EQUITY			
Share capital		1,000,000	1,000,000
Treasury shares	16	(7,261)	(7,261)
Statutory reserve		9,802	9,802
Investments fair value reserve		452	4,715
Foreign exchange translation reserve		(2,171)	(5,640)
Accumulated losses		(365,735)	(367,594)
Total equity attributable to shareholders of the parent		635,087	634,022
Non-controlling interests		47,179	41,484
TOTAL EQUITY		682,266	675,506
Total liabilities and equity		870,744	1,072,506

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 18 on 9 August 2017 and signed on its behalf by.



Khaleefa Bin Butti Bin Omair
Chairman



Abdulla Al Yousef Al Suwaidi
Board Member



Mohamed Ghanem
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2017

USD 000's

	Note	Six months ended		Three months ended	
		30 June 2017 (reviewed)	30 June 2016 (reviewed)	30 June 2017 (reviewed)	30 June 2016 (reviewed)
INCOME					
<i>Ijarah assets</i>					
Rental income		5,393	4,391	2,701	1,762
Finance cost		(1,449)	(1,949)	(540)	(894)
Depreciation on Ijarah assets		(4,317)	(5,581)	(2,158)	(2,641)
Other operating expenses relating to Ijarah assets	13	(3,603)	(2,824)	(1,258)	(1,734)
Net income from Ijarah assets		(3,976)	(5,963)	(1,255)	(3,507)
Income from investment securities		10,952	8,677	3,787	3,100
Income from financing and placements with financial institutions		6,577	3,558	2,973	1,784
Gain on disposal of equity accounted investee	10	4,157	-	4,157	-
Share of results of equity accounted investees		(640)	16	(646)	1,135
Other income	16	1,367	7,261	30	-
Total income		18,437	13,549	9,046	2,512
EXPENSES					
Staff cost		4,483	6,213	2,227	3,122
Finance cost		1,315	1,231	476	630
Depreciation and amortization		231	354	104	164
Other operating expenses		4,796	2,624	2,721	668
Total expenses		10,825	10,422	5,528	4,584
Profit / (loss) before impairment allowance		7,612	3,127	3,518	(2,072)
Impairment on investment securities		-	(408)	-	(268)
PROFIT / (LOSS) FOR THE PERIOD		7,612	2,719	3,518	(2,340)
Attributable to:					
Shareholders of the parent		7,517	5,379	3,503	(1,664)
Non-controlling interests		95	(2,660)	15	(676)
		7,612	2,719	3,518	(2,340)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 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 June 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	-	-	-	(4,263)	-	-	(4,263)	-	(4,263)
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	-	-	-	-	-	7,517	7,517	95	7,612
Total recognised income and expense for the period	-	-	-	(4,263)	3,469	1,959	1,165	5,653	6,818
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 June 2017	1,000,000	(7,261)	9,802	452	(2,171)	(365,735)	635,087	47,179	682,266

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 (continued)

USD 000's

30 June 2016 (reviewed)	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
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	-	-	-	-	393	-	393	-	393
Profit for the period	-	-	-	-	-	5,379	5,379	(2,660)	2,719
Total recognised income and expense for the period	-	-	-	-	393	5,379	5,772	(2,660)	3,112
Transfer to zakah and charity fund	-	-	-	-	-	(100)	(100)	-	(100)
Acquisition of treasury shares	-	(7,261)	-	-	-	-	(7,261)	-	(7,261)
Dividends of subsidiary	-	-	-	-	-	-	-	(20)	(20)
Balance at 30 June 2016	1,000,000	(7,261)	9,736	-	(4,683)	(273,322)	724,470	44,287	768,757

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2017

USD 000's

	Note	Six months ended 30 June 2017 (reviewed)	Six months ended 30 June 2016 (reviewed)
OPERATING ACTIVITIES			
Net profit for the period		7,612	2,719
Adjustments for:			
Depreciation on Ijarah assets	8	4,317	5,581
Depreciation and amortisation		231	358
Amortization of (discount) / premium		(19)	80
Impairment allowance		-	408
Share of results of equity accounted investees		640	(16)
Gain on disposal of investment securities and equity accounted investees		(7,818)	(762)
Gain on asset swap transaction		-	(7,261)
Operating profit before changes in operating assets and liabilities		4,963	1,107
Net changes in operating assets and liabilities:			
Financing assets		49,632	(3,240)
Other assets		(3,305)	15,398
Placements from financial institutions		(94,653)	(8,699)
Other liabilities		(5,176)	717
Payment to charities		(100)	(42)
Net cash (used in) / generated from operating activities		(48,639)	5,241
INVESTING ACTIVITIES			
Purchase of investment securities		(229,083)	(13,330)
Proceeds from disposal / maturity of investment securities		274,252	10,806
Proceeds from disposal of joint venture		15,245	-
Purchase of property and equipment and intangible assets		(1,168)	(85)
Net cash generated from / (used in) investing activities		59,246	(2,609)
FINANCING ACTIVITIES			
Issuance of share capital in a subsidiary		62	-
Dividend paid to non-controlling interest		(20)	(20)
Repayment of bank financing		(109,154)	(889)
Proceeds from bank financing		-	40,000
Net cash (used in) / generated from financing activities		(109,112)	39,091
Net (decrease) / increase in cash and cash equivalents		(98,505)	41,723
Cash and cash equivalents at beginning of the period		147,199	137,080
Cash and cash equivalents at end of the period		48,694	178,803
Cash and bank balances		7,788	18,274
Placements with financial institutions with original maturity of 90 days or less		40,906	160,529
		48,694	178,803

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 six months ended 30 June 2017

USD 000's

	Six months ended 30 June 2017 (reviewed)	Six months ended 30 June 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	(100)	(42)
Total uses of funds during the period	(100)	(42)
Undistributed zakah and charity fund at end of the period	104	194

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 June 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 six 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 six months ended 30 June 2017

USD 000's

7 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	30 June 2017 (reviewed)	31 December 2016 (audited)
Commodity murabaha contracts	10,007	54,389
Wakala contracts	30,902	83,916
Total gross murabaha and wakala contracts	40,909	138,305
Less: Deferred profits on murabaha contracts	(3)	(50)
	40,906	138,255

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

8 IJARAH ASSETS

	Aircraft ⁽ⁱ⁾	Oil rigs ⁽ⁱⁱ⁾	Total
Cost:			
At 1 January 2017	100,000	172,783	272,783
At 30 June 2017	100,000	172,783	272,783
Depreciation:			
At 1 January 2017	17,700	50,046	67,746
Charge for the period	1,800	2,517	4,317
At 30 June 2017	19,500	52,563	72,063
Net book value: As at 30 June 2017 (reviewed)	80,500	120,220	200,720
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 62,285 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 six months ended 30 June 2017

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9 INVESTMENT SECURITIES

	30 June 2017 (reviewed)	31 December 2016 (audited)
Equity type instruments - at fair value through equity		
- Quoted equity securities (at fair value)	32,568	36,831
- Unquoted equity securities (at cost less impairment) (i)	995	995
	33,563	37,826
Debt type instruments - At amortised cost		
- Quoted Sukuk (ii)	265,518	306,823
- Subordinated financing (iii)	99,542	99,542
Collective impairment allowance	(2,496)	(2,496)
	362,564	403,869
Total investment securities	396,127	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 June 2017 (reviewed)	31 December 2016 (audited)
Associates	116,647	118,206
Joint ventures	-	12,125
Impairment allowance	(69,685)	(75,387)
	46,962	54,944

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2017

USD 000's

10 EQUITY ACCOUNTED INVESTEEES (continued)

Movement on the equity accounted investees during the period:

	30 June 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	(640)	(2,251)
Impairment allowance	-	(18,993)
Foreign exchange translation differences	3,469	(564)
Intercompany finance expense	(184)	(128)
Balance at the end of the period	46,962	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 31 March 2017.

(iii) + (iv) These associate companies are in the start-up phase. The information for 2017 presented in the table includes the results of Adcan and 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 31 March 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 60% 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 six months ended 30 June 2017

USD 000's

11 OTHER ASSETS

	30 June 2017 (reviewed)	31 December 2016 (audited)
Receivable from investee *	12,096	11,681
Ijarah rental receivable	14,333	10,921
Prepayments and advances	3,210	3,692
Intangible assets	29	60
Others	2,975	3,015
	32,643	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 June 2017 (reviewed)	31 December 2016 (audited)
<i>Financing for Ijarah assets</i>		
Murabaha financing *	-	46,356
Term financing **	48,159	50,376
	48,159	96,732
General financing ***	40,492	101,073
	88,651	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 3.45% 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 six months ended 30 June 2017

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13 OTHER OPERATING EXPENSES RELATING TO IJARAH ASSETS

	30 June 2017 (reviewed)	30 June 2016 (reviewed)
Repairs and maintenance - rigs	2,640	767
Insurance - rigs	254	1,251
Professional and consultancy fee	338	402
Miscellaneous expenses	371	404
	3,603	2,824

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 June 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	-	-	10,004	10,004
Financing assets	12,867	-	50,034	62,901
Equity accounted investees	46,962	-	-	46,962
Other assets	10	-	-	10
Liabilities				
Placements from financial institutions	-	-	34,550	34,550
Other liabilities	1,080	950	11,288	13,318

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 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 June 2017 (reviewed)				
Income				
Income from financing and placements with financial institutions	272	-	2,782	3,054
Gain on disposal of equity accounted investee	4,157	-	-	4,157
Share of results of equity accounted investees	(640)	-	-	(640)
Other income	-	-	1,210	1,210
Expenses				
Staff cost	-	1,295	-	1,295
Financing cost on placements from financial institutions	-	-	231	231
Other operating expenses	-	499	-	499

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 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 June 2016 (reviewed)				
Income				
Share of results of equity accounted investees	16	-	-	16
Expenses				
Staff cost	-	1,587	-	1,587
Financing cost on placements from financial institutions	-	-	207	207
Other operating expenses	-	463	-	463

15 COMMITMENTS

	30 June 2017 (reviewed)	31 December 2016 (audited)
Financing commitments	1,384	1,866
Operating lease commitments	886	626
	2,270	2,492

16 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2017

USD 000's

17 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 June 2017 (reviewed)	Level 1	Level 2	Level 3	Total
Fair value through equity				
Quoted equity securities	32,568	-	-	32,568
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 June 2017 (reviewed)	Carrying amount	Fair value
Financial assets:		
Financing assets	134,865	134,865
Ijarah assets	200,720	200,720
Investment securities ¹	295,590	295,282
Total	631,175	630,867
Financial liabilities:		
Bank financing	88,651	88,651
Total	88,651	88,651

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

USD 000's

17 FINANCIAL INSTRUMENTS (continued)

ii Financial instruments not at fair value (continued):

31 December 2016 (audited)

Financial assets:

Financing assets

Ijarah assets

Investment securities¹

Total

Carrying amount	Fair value
184,497	184,497
205,037	205,037
341,158	348,815
730,692	738,349

Financial liabilities:

Bank financing

Total

197,805	197,805
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.