

**FIRST ENERGY BANK B.S.C. (c)**  
**30 JUNE 2019**  
**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	:	Khaleefa Bin Butti Bin Omair, <i>Chairman</i> Dr. Faisal Ahmed Gergab, <i>Vice-Chairman</i> Matar Mohamed Al Blooshi Dr. Ali Mahmoud Hassen Mohamed Salim Omair Al Shamsi Ammar Ali Mohamed Jaber Abdulla Abdulkarim Showaiter Adel A. Aziz Al Jabr Abdulla Al Yousef Al Suwaidi Maysoun Habra Saif Abugulal
Chief Executive Officer	:	Mohamed Shukri Ghanem
Auditors	:	KPMG Fakhro, Bahrain

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the six months period ended 30 June 2019**

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<b>CONTENTS</b>	<b>Page</b>
Independent auditors' report on review of condensed consolidated interim financial information	1
<b>Condensed consolidated interim financial information</b>	
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 - 19



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1

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

To  
The Board of Directors  
First Energy Bank B.S.C. (c)  
Manama, Kingdom of Bahrain

### Introduction

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial information of First Energy Bank B.S.C. (c) (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2019;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2019;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 2019; 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 2019 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.

10 August 2019

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

USD 000's

	Note	30 June 2019 (reviewed)	31 December 2018 (audited)
<b>ASSETS</b>			
Cash and bank balances		15,231	15,407
Placements with financial institutions	7	47,689	89,818
Financing assets	8	157,638	117,426
Ijarah assets	9	73,300	75,100
Investment securities	10	389,259	428,737
Equity accounted investees	11	71,259	29,341
Other assets	12	56,015	52,080
Property and equipment		18,619	17,857
<b>Total assets</b>		<b>829,010</b>	<b>825,766</b>
<b>Liabilities and equity</b>			
<b>LIABILITIES</b>			
Placements from financial institutions		58,507	92,884
Bank financing	13	140,698	122,628
Other liabilities		37,245	23,434
<b>Total liabilities</b>		<b>236,450</b>	<b>238,946</b>
<b>EQUITY</b>			
Share capital		600,000	600,000
Treasury shares		(4,356)	(7,261)
Statutory reserve		13,034	13,034
Investments fair value reserve		(4,458)	(2,011)
Foreign exchange translation reserve		(5,561)	(2,171)
Accumulated losses		(53,302)	(61,968)
<b>Total equity attributable to shareholders of the parent</b>		<b>545,357</b>	<b>539,623</b>
Non-controlling interests		47,203	47,197
<b>TOTAL EQUITY</b>		<b>592,560</b>	<b>586,820</b>
<b>Total liabilities and equity</b>		<b>829,010</b>	<b>825,757</b>

The Board of Directors approved the condensed consolidated interim financial information on 10 August 2019 and signed on its behalf by.



Khaleefa Bin Butti Bin Omair  
Chairman



Abdulla Al Yousef Al Suwaidi  
Board Member



Mohamed Ghanem  
Chief Executive Officer

The accompanying notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**For the six months ended 30 June 2019**

USD 000's

	Note	Six months ended		Three months ended	
		30 June 2019 (reviewed)	30 June 2018 (reviewed)	30 June 2019 (reviewed)	30 June 2018 (reviewed)
<b>INCOME</b>					
Income from investment securities	14	8,112	15,231	3,415	3,395
Income from financing and placements with financial institutions		7,666	6,162	4,985	3,191
Fees and commission income		4,366	3,300	3,500	3,012
Share of results of equity accounted investees	11	1,730	(189)	727	200
Net income from Ijarah assets		1,457	1,321	743	649
Other income		2,502	-	25	-
<b>Total income</b>		<b>25,833</b>	<b>25,825</b>	<b>13,395</b>	<b>10,447</b>
<b>EXPENSES</b>					
Staff cost		5,788	6,498	2,965	3,447
Finance cost		2,993	1,950	1,464	1,029
Depreciation and amortization		417	272	208	130
Expenses related to assets held for sale		-	1,741	-	805
Other operating expenses		3,166	4,408	1,393	2,410
<b>Total expenses</b>		<b>12,364</b>	<b>14,869</b>	<b>6,030</b>	<b>7,821</b>
<b>Profit before impairment allowance</b>		<b>13,469</b>	<b>10,956</b>	<b>7,365</b>	<b>2,626</b>
Net impairment losses	15	(1,719)	(954)	(1,714)	(954)
<b>PROFIT FOR THE PERIOD</b>		<b>11,750</b>	<b>10,002</b>	<b>5,651</b>	<b>1,672</b>
<b>Attributable to:</b>					
Shareholders of the parent		11,721	9,984	5,631	1,663
Non-controlling interests		29	18	20	9
		<b>11,750</b>	<b>10,002</b>	<b>5,651</b>	<b>1,672</b>

The accompanying notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

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	Total			
<b>30 June 2019 (reviewed)</b>										
Balance at 1 January 2019	600,000	(7,261)	13,034	(2,011)	(2,171)	(61,968)	539,623	47,197	586,820	
Changes in fair value of investments at fair value through equity	-	-	-	(5,447)	-	-	(5,447)	-	(5,447)	
Transfer to income statement on impairment	-	-	-	3,000	-	-	3,000	-	3,000	
Effect of exchange rate difference on equity accounted investee	-	-	-	-	(3,390)	-	(3,390)	-	(3,390)	
Profit for the period	-	-	-	-	-	11,721	11,721	29	11,750	
<b>Total recognised income and expense for the period</b>	-	-	-	<b>(2,447)</b>	<b>(3,390)</b>	<b>11,721</b>	<b>5,884</b>	<b>29</b>	<b>5,913</b>	
Transfer to zakah and charity fund	-	-	-	-	-	(150)	(150)	-	(150)	
Dividends of subsidiary	-	-	-	-	-	-	-	(23)	(23)	
Adjustment on capital reduction	-	2,905	-	-	-	(2,905)	-	-	-	
<b>Balance at 30 June 2019</b>	<b>600,000</b>	<b>(4,356)</b>	<b>13,034</b>	<b>(4,458)</b>	<b>(5,561)</b>	<b>(53,302)</b>	<b>545,357</b>	<b>47,203</b>	<b>592,560</b>	

The accompanying notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 (continued)

USD 000's

	Equity attributable to shareholders of the parent									
	Share capital	Treasury shares	Statutory reserve	Investments fair value reserve	Foreign exchange translation reserve	Accumulated losses	Total	Non-controlling interests	Total Equity	
30 June 2018 (reviewed)										
Balance at 1 January 2018	1,000,000	(7,261)	11,808	5,664	(2,171)	(355,202)	652,838	47,163	700,001	
Changes in fair value of investments at fair value through equity	-	-	-	548	-	-	548	-	548	
Transfer to income statement on disposal of investments	-	-	-	(2,520)	-	-	(2,520)	-	(2,520)	
Profit for the period	-	-	-	-	-	9,984	9,984	18	10,002	
Total recognised income and expense for the period	-	-	-	(1,972)	-	9,984	8,012	18	8,030	
Transfer to zakah and charity fund	-	-	-	-	-	(250)	(250)	-	(250)	
Dividends of subsidiary	-	-	-	-	-	-	-	(8)	(8)	
Balance at 30 June 2018	1,000,000	(7,261)	11,808	3,692	(2,171)	(345,468)	660,600	47,173	707,773	

The accompanying notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended 30 June 2019**

USD 000'

	Note	Six months ended 30 June 2019 (reviewed)	Six months ended 30 June 2018 (reviewed)
<b>OPERATING ACTIVITIES</b>			
<b>Net profit for the period</b>		11,750	10,002
<b>Adjustments for:</b>			
Depreciation on Ijarah assets	9	1,800	1,800
Depreciation and amortization		417	272
Amortization of premium / (discount)		366	(699)
Net impairment losses	15	1,719	954
Share of results of equity accounted investees	11	(1,730)	189
Fair value gain on investment in structured products	14	(810)	-
Loss / (gain) on disposal of investment securities	14	171	(6,396)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>13,683</b>	6,122
<b>Net changes in operating assets and liabilities:</b>			
Financing assets		(38,689)	1,565
Other assets		(3,052)	(5,251)
Placements from financial institutions		(34,377)	1,478
Other liabilities		13,783	(236)
Payment to charities		(122)	(146)
<b>Net cash (used in) / from operating activities</b>		<b>(48,774)</b>	3,532
<b>INVESTING ACTIVITIES</b>			
Purchase of investment securities		(63,001)	(111,857)
Proceeds from disposal / maturity of investment securities		53,477	128,561
Purchase of property and equipment and intangible assets		(2,062)	(445)
<b>Net cash (used in) / from investing activities</b>		<b>(11,586)</b>	16,259
<b>FINANCING ACTIVITIES</b>			
Dividend paid to non-controlling interest		(23)	(8)
Repayment of bank financing		(41,930)	(42,203)
Proceeds from bank financing		60,000	40,000
<b>Net cash from / (used in) financing activities</b>		<b>18,047</b>	(2,211)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(42,313)</b>	17,580
Cash and cash equivalents at beginning of the period		105,225	97,053
Effect of net impairment losses on placements with financial institutions		8	(59)
<b>Cash and cash equivalents at end of the period</b>		<b>62,920</b>	114,574
Cash and bank balances		15,231	8,343
Placements with financial institutions with original maturity of 90 days or less		47,689	106,231
		<b>62,920</b>	114,574

The accompanying notes 1 to 19 form an integral part of this condensed consolidated interim financial information.



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

For the six months ended 30 June 2019

USD 000's

	<b>Six months ended 30 June 2019 (reviewed)</b>	<b>Six months ended 30 June 2018 (reviewed)</b>
<b>Sources of zakah and charity funds</b>		
Undistributed charity and zakah funds at the beginning of the period	38	23
Contributions by the Bank	150	250
<b>Total sources of zakah and charity funds during the period</b>	<b>188</b>	<b>273</b>
<b>Uses of zakah and charity fund</b>		
Contributions for charitable purposes	(122)	(146)
<b>Total uses of funds during the period</b>	<b>(122)</b>	<b>(146)</b>
<b>Undistributed zakah and charity fund at end of the period</b>	<b>66</b>	<b>127</b>

The accompanying notes 1 to 19 form an integral part of this condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the six months ended 30 June 2019**

USD 000's

**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 1459, Road 4626, Block 346, Manama, Kingdom of Bahrain.

The principal activities of the Bank and its subsidiaries (the "Group") are mainly 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**

- (i) 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) and the applicable provisions of Central Bank of Bahrain Regulations. 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'. This condensed consolidated interim financial information should be read in conjunction with the 2018 annual consolidated financial statements of the Group.

This condensed consolidated interim financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with FAS. In addition, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018 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 2018.

**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 2018.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the six months ended 30 June 2019**

USD 000's

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Basis of consolidation**

The condensed consolidated interim financial information includes the results 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 2019:

<i>Name of subsidiary</i>	<i>Equity interest</i>		<i>Nature of business</i>
	<b>2019</b>	<b>2018</b>	
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.
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 to own or lease property.
FEB Capital Limited, United Arab Emirates	100%	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 2018.

**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 2018.

**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 2019**

USD 000's

**7 PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
Commodity murabaha contracts	7,010	14,023
Wakala contracts	40,720	75,851
<b>Total gross murabaha and wakala contracts</b>	<b>47,730</b>	<b>89,874</b>
Less: Deferred profits on murabaha contracts	(1)	(8)
	<b>47,729</b>	<b>89,866</b>
Less: Net impairment losses on placements with financial institutions *	(40)	(48)
	<b>47,689</b>	<b>89,818</b>

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

\* For stage wise exposure and allowance for impairment refer note 17.

**8 FINANCING ASSETS**

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
Gross commodity murabaha	173,331	131,880
Less: Deferred profits	(7,209)	(7,688)
Impairment allowance	(28,433)	(28,615)
	<b>137,689</b>	<b>95,577</b>
Ijarah financing	20,745	24,168
Less: Net impairment losses on financing assets *	(796)	(2,319)
	<b>157,638</b>	<b>117,426</b>

\* For stage wise exposure and allowance for impairment refer note 17.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 9 IJARAH ASSETS

	<b>Aircraft</b>
<b>Cost:</b>	
At 1 January 2019	100,000
<b>At 30 June 2019</b>	<b>100,000</b>
<b>Depreciation:</b>	
At 1 January 2019	24,900
Charge for the period	1,800
<b>At 30 June 2019</b>	<b>26,700</b>
Net book value:	
<b>As at 30 June 2019 (reviewed)</b>	<b>73,300</b>
As at 31 December 2018 (audited)	75,100

The Aircraft is mortgaged against term financing (refer note 13).

## 10 INVESTMENT SECURITIES

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
<b>Equity type instruments - at fair value through equity</b>		
- Quoted equity securities (at fair value)	31,359	35,645
- Unquoted equity securities (at cost less impairment) <sup>(i)</sup>	100,149	139,280
	<b>131,508</b>	174,925
<b>Debt type instruments - At amortised cost</b>		
- Quoted Sukuk <sup>(ii)</sup>	249,599	255,421
Less: Net impairment losses on investment securities <sup>(iii)</sup>	(1,859)	(1,609)
	<b>247,740</b>	253,812
<b>Investment in structured products - at fair value through profit or loss <sup>(iv)</sup></b>	10,011	-
<b>Total investment securities</b>	<b>389,259</b>	428,737

- (i) In 2018, the Group acquired 15% indirect investment in Oba Makarnacilik Sanayi ve Ticaret A.S. ("Oba Makarna"), a Turkish incorporated company engaged in pasta production. During the period, the Group acquired an additional 5% stake in Oba Makarna increasing the Group's interest to 20% therefore acquiring significant influence and reclassified the investment in the entity from investment securities to equity accounted investees (note 11).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 10 INVESTMENT SECURITIES (continued)

- (ii) Quoted Sukuk of USD 214 million (31 December 2018: USD 209 million) are pledged against general bank financing of USD 100 million (31 December 2018: USD 80 million) (refer note 13).
- (iii) For stage wise exposure and allowance for impairment refer note 17.
- (iv) During the period, the Bank invested USD 9.2 million in Islamic structured products with notional value of USD 18.4 million and leverage amount of USD 9.2 million. Fair value gain of USD 0.8 million has been recognised during the period.

## 11 EQUITY ACCOUNTED INVESTEEES

	30 June 2019 (reviewed)	31 December 2018 (audited)
Associates	140,944	99,026
Impairment allowance	(69,685)	(69,685)
	<b>71,259</b>	<b>29,341</b>

Movement on the equity accounted investees during the period:

	30 June 2019 (reviewed)	31 December 2018 (audited)
At beginning of the period	29,341	44,240
Reclassified from investment securities during the period (note 10)	42,935	-
Acquisition during the period	643	-
Share of results of equity accounted investees, net	1,730	(773)
Foreign exchange translation differences	(3,390)	-
Intercompany finance expense	-	(487)
Reclassified to equity type instruments on loss of significant influence (note 10)	-	(7,537)
Loss on dilution	-	(6,102)
<b>Balance at the end of the period</b>	<b>71,259</b>	<b>29,341</b>

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:

<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 retail banking
Oba Makarnacilik Sanayi ve Ticaret A.S. <sup>(iii)</sup>	Turkey	20%	Pasta production

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 11 EQUITY ACCOUNTED INVESTEEES (continued)

(ii) The information for 2019 presented in the table includes the results of Al Izz Islamic Bank based on management accounts for the period from 1 October 2018 to 31 March 2019.

(iii) The information for 2019 presented in the table includes the results of Oba Makarna based on management accounts for the period from 1 January 2019 to 31 March 2019.

## 12 OTHER ASSETS

	<b>30 June 2019</b> (reviewed)	<b>31 December 2018</b> (audited)
Receivable from investee *	11,938	11,957
Ijarah rental receivable	28,024	24,612
Prepayments and advances	2,028	5,330
Intangible assets	1,021	139
Dividend receivable	1,410	3,000
Fees and commission receivable	9,494	4,430
Others	2,159	2,671
	<b>56,074</b>	52,139
Less: Net impairment losses on other assets **	(59)	(59)
	<b>56,015</b>	52,080

\* 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.

\*\* For stage wise exposure and allowance for impairment refer note 17.

## 13 BANK FINANCING

	<b>30 June 2019</b> (reviewed)	<b>31 December 2018</b> (audited)
Term financing *	38,954	41,338
General financing **	101,744	81,290
	<b>140,698</b>	122,628

\* Term financing is secured by a mortgage over an aircraft (note 9). 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 10).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 14 INCOME FROM INVESTMENT SECURITIES

	<b>30 June 2019</b> (reviewed)	<b>30 June 2018</b> (reviewed)
Profit on sukuk	5,365	6,340
Dividend income	2,108	2,495
Fair value gain on investment in structured products	810	-
(Loss) / gain on disposal of sukuk	(171)	942
Gain on disposal of quoted equity securities	-	5,454
	<b>8,112</b>	<b>15,231</b>

## 15 NET IMPAIRMENT LOSSES

	<b>30 June 2019</b> (reviewed)	<b>30 June 2018</b> (reviewed)
Quoted equity securities	3,000	-
Investment in Sukuk (note 17)	250	1,782
Placements with financial institutions (note 17)	(8)	46
Financing assets (note 17)	(1,523)	(830)
Other assets (note 17)	-	(44)
	<b>1,719</b>	<b>954</b>

## 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The significant balances with related parties 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 June 2019 (reviewed)</b>				
<b>Assets</b>				
Cash and bank balances	-	-	10,642	<b>10,642</b>
Placements with financial institutions	-	-	26,292	<b>26,292</b>
Financing assets	-	-	44,482	<b>44,482</b>
Investment securities	-	-	31,359	<b>31,359</b>
Equity accounted investees	71,259	-	-	<b>71,259</b>
Other assets	1,421	-	3,442	<b>4,863</b>
<b>Liabilities</b>				
Placements from financial institutions	-	-	36,423	<b>36,423</b>
Other liabilities	-	1,364	24,696	<b>26,060</b>

	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
<b>31 December 2018 (audited)</b>				
<b>Assets</b>				
Cash and bank balances	-	-	9,661	9,661
Placements with financial institutions	-	-	33,504	33,504
Financing assets *	-	-	57,143	57,143
Investment securities *	-	-	43,182	43,182
Equity accounted investees	29,341	-	-	29,341
Other assets	10	-	4,371	4,381
<b>Liabilities</b>				
Placements from financial institutions	-	-	35,841	35,841
Other liabilities	-	1,123	11,382	12,505

\* Included herein is Bank's investment and financing in Adcan and Medisal which will be novated to a holding company under establishment where the Bank's direct stake will be 18.49%. Post novation, the same will not be considered as related party of the Bank.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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
<b>30 June 2019 (reviewed)</b>				
<b>Income</b>				
Income from investment securities	(300)	-	2,425	<b>2,125</b>
Income from financing and placements with financial institutions	-	-	1,752	<b>1,752</b>
Share of results of equity accounted investees	1,730	-	-	<b>1,730</b>
Fees and commission income	-	-	361	<b>361</b>
<b>Expenses</b>				
Staff cost	-	1,912	-	<b>1,912</b>
Financing cost on placements from financial institutions	-	-	582	<b>582</b>
Other operating expenses	-	698	-	<b>698</b>
Net impairment losses	-	-	3,012	<b>3,012</b>

	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
<b>30 June 2018 (reviewed)</b>				
<b>Income</b>				
Income from investment securities	-	-	7,949	7,949
Income from financing and placements with financial institutions	351	-	2,002	2,353
Share of results of equity accounted investees	(189)	-	-	(189)
Fees and commission income	-	-	3,300	3,300
<b>Expenses</b>				
Staff cost	-	2,025	-	2,025
Financing cost on placements from financial institutions	-	-	449	449
Other operating expenses	-	696	-	696
Net impairment losses	110	-	247	357

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 17 EXPECTED CREDIT LOSSES

The following table shows reconciliation from the opening to the closing balances of the carrying amounts of financial assets at amortized cost and the loss allowance:

	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Total USD'000
<b>Gross exposure subject to ECL at 30 June</b>				
- Financing assets	79,448	78,986	28,433	186,867
- Investment in Sukuk	155,388	94,211	-	249,599
- Placements with financial institutions	47,729	-	-	47,729
- Other assets	47,365	3,501	-	50,866
	<b>329,930</b>	<b>176,698</b>	<b>28,433</b>	<b>535,061</b>
<b>Opening Balance ECL - as at 1 January 2019</b>				
- Financing assets	1,710	609	28,615	30,934
- Investment in Sukuk	480	1,129	-	1,609
- Placements with financial institutions	48	-	-	48
- Other assets	-	59	-	59
	<b>2,238</b>	<b>1,797</b>	<b>28,615</b>	<b>32,650</b>
<b>Net transfer between stages</b>				
- Financing assets	(1,441)	1,441	(182)	(182)
- Investment in Sukuk	-	-	-	-
- Placements with financial institutions	-	-	-	-
- Other assets	-	-	-	-
	<b>(1,441)</b>	<b>1,441</b>	<b>(182)</b>	<b>(182)</b>
<b>Charge for the period (net)</b>				
- Financing assets	(82)	(1,441)	-	(1,523)
- Investment in Sukuk	(51)	301	-	250
- Placements with financial institutions	(8)	-	-	(8)
- Other assets	-	-	-	-
	<b>(141)</b>	<b>(1,140)</b>	<b>-</b>	<b>(1,281)</b>
<b>Closing Balance ECL - as at 30 June 2019</b>				
- Financing assets	187	609	28,433	29,229
- Investment in Sukuk	429	1,430	-	1,859
- Placements with financial institutions	40	-	-	40
- Other assets	-	59	-	59
	<b>656</b>	<b>2,098</b>	<b>28,433</b>	<b>31,187</b>
<b>Net exposure at 30 June 2019</b>				
- Financing assets	79,261	78,377	-	157,638
- Investment in Sukuk	154,959	92,781	-	247,740
- Placements with financial institutions	47,689	-	-	47,689
- Other assets	47,365	3,442	-	50,807
	<b>329,274</b>	<b>174,600</b>	<b>-</b>	<b>503,874</b>

Cash and bank balances did not have a significant ECL impact.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 18 COMMITMENTS

	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
Operating lease commitments	963	1,289
Financing commitments	13,689	15,916
	<b>14,652</b>	<b>17,205</b>

## 19 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.

Fair value of investment in structured products is derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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

<b>30 June 2019 (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	31,359	-	-	<b>31,359</b>
<b>Fair value through profit or loss</b>				
Investment in structured products	-	10,011	-	<b>10,011</b>
<b>31 December 2018 (audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Fair value through equity				
Quoted equity securities	35,645	-	-	35,645
Fair value through profit or loss				
Investment in structured products	-	-	-	-

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

USD 000's

## 19 FINANCIAL INSTRUMENTS (continued)

## 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 2019 (reviewed)

**Financial assets:**

Financing assets

Investment securities<sup>1</sup>**Total**

Carrying amount	Fair value
157,638	157,638
289,110	286,304
<b>446,748</b>	<b>443,942</b>

**Financial liabilities:**

Bank financing

**Total**

140,698	140,698
<b>140,698</b>	<b>140,698</b>

## 31 December 2018 (audited)

## Financial assets:

Financing assets

Investment securities<sup>1</sup>

## Total

Carrying amount	Fair value
117,426	117,426
289,457	275,839
<b>406,883</b>	<b>393,265</b>

## Financial liabilities:

Bank financing

## Total

122,628	122,628
<b>122,628</b>	<b>122,628</b>

<sup>1</sup> Equity type instruments carried at cost less impairment, of USD 100,149 thousand (31 December 2018: USD 139,280 thousand) are excluded due to absence of reliable measure of fair value.

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