

FIRST ENERGY BANK B.S.C. (c)
30 SEPTEMBER 2019
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

Commercial registration	:	69089-1 (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 Butti Bin Omair, <i>Chairman</i> Dr. Faisal Ahmed Gergab, <i>Vice-Chairman</i> Matar Mohamed Al Blooshi Dr. Ali Mahmoud Hassen Mohammed Mohammed Salem Al Shamsi Ammar Ali Mohamed Jaber Abdulla Abdulkarim Showaiter Adel A. Aziz Al Jabr Abdulla Ahmed Al Suwaidi Mayssoun Habra Saif Abugulal
Chief Executive Officer	:	Mohamed Shukri Ghanem
Auditors	:	KPMG Fakhro, Bahrain

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the nine months period ended 30 September 2019

CONTENTS	Page
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated interim financial information	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in equity	4 - 5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of sources and uses of zakah and charity fund	7
Notes to the condensed consolidated interim financial information	8 - 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 September 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 September 2019;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 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 September 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.

13 November 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

USD 000's

	Note	30 September 2019 (reviewed)	31 December 2018 (audited)
ASSETS			
Cash and bank balances		5,925	15,407
Placements with financial institutions	7	44,117	89,818
Financing assets	8	163,994	117,426
Ijarah assets	9	72,400	75,100
Investment securities	10	422,625	428,737
Equity accounted investees	11	72,622	29,341
Other assets	12	56,798	52,080
Property and equipment		23,547	17,857
Total assets		862,028	825,766
Liabilities and equity			
LIABILITIES			
Placements from financial institutions		53,708	92,884
Bank financing	13	177,514	122,628
Other liabilities		34,903	23,434
Total liabilities		266,125	238,946
EQUITY			
Share capital		600,000	600,000
Treasury shares		(4,356)	(7,261)
Statutory reserve		13,034	13,034
Investments fair value reserve		(2,244)	(2,011)
Foreign exchange translation reserve		(4,754)	(2,171)
Accumulated losses		(49,695)	(61,968)
Total equity attributable to shareholders of the parent		551,985	539,623
Non-controlling interests		43,918	47,197
TOTAL EQUITY		595,903	586,820
Total liabilities and equity		862,028	825,766

The Board of Directors approved the condensed consolidated interim financial information on 13 November 2019 and signed on its behalf by.



Khaleefa Butti Bin Omair
Chairman



Abdulla Ahmed 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 nine months ended 30 September 2019

USD 000's

	Note	Nine months ended		Three months ended	
		30 September 2019 (reviewed)	30 September 2018 (reviewed)	30 September 2019 (reviewed)	30 September 2018 (reviewed)
INCOME					
Income from investment securities	14	12,291	18,071	4,179	2,840
Income from financing and placements with financial institutions		11,903	9,486	4,237	3,324
Fees and commission income		4,758	3,488	392	188
Share of results of equity accounted investees	11	2,286	(425)	556	(236)
Net income from Ijarah assets		2,167	2,001	710	680
Other income		2,502	-	-	-
Total income		35,907	32,621	10,074	6,796
EXPENSES					
Staff cost		8,227	9,448	2,439	2,950
Finance cost		4,388	3,037	1,395	1,087
Depreciation and amortization		637	382	220	110
Expenses related to assets held for sale		-	2,519	-	778
Other operating expenses		4,514	6,214	1,348	1,806
Total expenses		17,766	21,600	5,402	6,731
Profit before impairment allowance		18,141	11,021	4,672	65
Net impairment losses	15	(2,775)	(1,539)	(1,056)	(585)
PROFIT FOR THE PERIOD		15,366	9,482	3,616	(520)
Attributable to:					
Shareholders of the parent		15,328	9,455	3,607	(529)
Non-controlling interests		38	27	9	9
		15,366	9,482	3,616	(520)

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 nine months ended 30 September 2019

USD 000's

30 September 2019 (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 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	-	-	-	(3,233)	-	-	(3,233)	-	(3,233)
Transfer to income statement on impairment	-	-	-	3,000	-	-	3,000	-	3,000
Effect of exchange rate difference on equity accounted investee	-	-	-	-	(2,583)	-	(2,583)	-	(2,583)
Profit for the period	-	-	-	-	-	15,328	15,328	38	15,366
Total recognised income and expense for the period	-	-	-	(233)	(2,583)	15,328	12,512	38	12,550
Transfer to zakah and charity fund	-	-	-	-	-	(150)	(150)	-	(150)
Dividends of subsidiary	-	-	-	-	-	-	-	(3,317)	(3,317)
Adjustment on capital reduction	-	2,905	-	-	-	(2,905)	-	-	-
Balance at 30 September 2019	600,000	(4,356)	13,034	(2,244)	(4,754)	(49,695)	551,985	43,918	595,903

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 nine months ended 30 September 2019 (continued)

USD 000's

	Equity attributable to shareholders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Statutory reserve	Investments fair value reserve	Foreign exchange translation reserve	Accumulated losses			
30 September 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	-	-	-	(5,155)	-	-	(5,155)	-	(5,155)
Transfer to income statement on disposal of investments	-	-	-	(2,520)	-	-	(2,520)	-	(2,520)
Profit for the period	-	-	-	-	-	9,455	9,455	27	9,482
Total recognised income and expense for the period	-	-	-	(7,675)	-	9,455	1,780	27	1,807
Transfer to zakah and charity fund	-	-	-	-	-	(250)	(250)	-	(250)
Dividends of subsidiary	-	-	-	-	-	-	-	(8)	(8)
Balance at 30 September 2018	1,000,000	(7,261)	11,808	(2,011)	(2,171)	(345,997)	654,368	47,182	701,550

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 nine months ended 30 September 2019

USD 000's

	Note	Nine months ended 30 September 2019 (reviewed)	Nine months ended 30 September 2018 (reviewed)
OPERATING ACTIVITIES			
Net profit for the period		15,366	9,482
Adjustments for:			
Depreciation on Ijarah assets	9	2,700	2,700
Depreciation and amortization		637	382
Amortization of premium / (discount) on Sukuk		400	(591)
Net impairment losses	15	2,775	1,539
Share of results of equity accounted investees	11	(2,286)	425
Fair value gain on investment in structured products	14	(2,338)	-
Loss / (gain) on disposal of investment securities	14	182	(6,396)
Operating profit before changes in operating assets and liabilities		17,436	7,541
Net changes in operating assets and liabilities:			
Financing assets		(45,372)	1,429
Other assets		(4,000)	(4,377)
Placements from financial institutions		(39,176)	24,317
Other liabilities		13,148	(1,689)
Payment to charities		(129)	(206)
Net cash (used in) / from operating activities		(58,093)	27,015
INVESTING ACTIVITIES			
Purchase of investment securities		(105,977)	(112,930)
Proceeds from disposal / maturity of investment securities		66,211	129,746
Investment in a joint venture		-	(19,968)
Purchase of property and equipment and intangible assets		(7,222)	(487)
Net cash used in investing activities		(46,988)	(3,639)
FINANCING ACTIVITIES			
Dividend paid to shareholders		(1,700)	-
Dividend paid to non-controlling interests		(3,317)	(8)
Repayment of bank financing		(42,114)	(42,778)
Proceeds from bank financing		97,000	40,000
Net cash from / (used in) financing activities		49,869	(2,786)
Net (decrease) / increase in cash and cash equivalents		(55,212)	20,590
Cash and cash equivalents at beginning of the period		105,225	97,053
Effect of net impairment losses on placements with financial institutions		29	(54)
Cash and cash equivalents at end of the period		50,042	117,589
Cash and bank balances		5,925	10,336
Placements with financial institutions with original maturity of 90 days or less		44,117	107,253
		50,042	117,589

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 nine months ended 30 September 2019

USD 000's

	Nine months ended 30 September 2019 (reviewed)	Nine months ended 30 September 2018 (reviewed)
Sources of zakah and charity funds		
Undistributed charity and zakah funds at the beginning of the period	38	23
Contributions by the Bank	150	250
Total sources of zakah and charity funds during the period	188	273
Uses of zakah and charity fund		
Contributions for charitable purposes	(129)	(206)
Total uses of funds during the period	(129)	(206)
Undistributed zakah and charity fund at end of the period	59	67

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 nine months ended 30 September 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. 69089-1. 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 nine months period ended 30 September 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 nine months ended 30 September 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 Group's audited consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**For the nine months ended 30 September 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 September 2019:

<i>Name of subsidiary</i>	<i>Equity interest</i>		<i>Nature of business</i>
	2019	2018	
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 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 2019

USD 000's

7 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	30 September 2019 (reviewed)	31 December 2018 (audited)
Commodity murabaha contracts	-	14,023
Wakala contracts	44,136	75,851
Total gross murabaha and wakala contracts	44,136	89,874
Less: Deferred profits on murabaha contracts	-	(8)
	44,136	89,866
Less: Net impairment losses on placements with financial institutions *	(19)	(48)
	44,117	89,818

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

	30 September 2019 (reviewed)	31 December 2018 (audited)
Gross commodity murabaha	179,777	131,880
Less: Deferred profits	(6,420)	(7,688)
Impairment allowance	(27,274)	(28,615)
	146,083	95,577
Ijarah financing	19,034	24,168
Less: Net impairment losses on financing assets *	(1,123)	(2,319)
	163,994	117,426

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the nine months ended 30 September 2019

USD 000's

9 IJARAH ASSETS

	Aircraft
Cost:	
At 1 January 2019	100,000
At 30 September 2019	100,000
Depreciation:	
At 1 January 2019	24,900
Charge for the period	2,700
At 30 September 2019	27,600
Net book value:	
As at 30 September 2019 (reviewed)	72,400
As at 31 December 2018 (audited)	75,100

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

10 INVESTMENT SECURITIES

	30 September 2019 (reviewed)	31 December 2018 (audited)
Equity type instruments - at fair value through equity		
- Quoted equity securities (at fair value)	33,573	35,645
- Unquoted equity securities (at cost less impairment) ⁽ⁱ⁾	100,149	139,280
	133,722	174,925
Debt type instruments - At amortised cost		
- Quoted Sukuk ⁽ⁱⁱ⁾	270,246	255,421
Less: Impairment allowance ⁽ⁱⁱⁱ⁾	(2,432)	(1,609)
	267,814	253,812
Investment in structured products - at fair value through profit or loss ^(iv)	21,089	-
Total investment securities	422,625	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, resulting in a reclassification of the investment from "investment securities" to "equity accounted investees (note 11)".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2019

USD 000's

10 INVESTMENT SECURITIES (continued)

- (ii) Quoted Sukuk with carrying amount of USD 250 million (31 December 2018: USD 210 million) are pledged against general bank financing of USD 137 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 18.8 million in Islamic structured products with notional value of USD 37.5 million and leverage amount of USD 18.8 million. Fair value gain of USD 2.3 million has been recognised during the period (note 14).

11 EQUITY ACCOUNTED INVESTEEES

	30 September 2019 (reviewed)	31 December 2018 (audited)
Associates	142,307	99,026
Impairment allowance	(69,685)	(69,685)
	72,622	29,341

Movement on the equity accounted investees during the period:

	30 September 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	2,286	(773)
Foreign exchange translation differences	(2,583)	-
Intercompany finance expense	-	(487)
Reclassified to equity type instruments on loss of significant influence	-	(7,537)
Loss on dilution	-	(6,102)
Balance at the end of the period	72,622	29,341

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
Oba Makarnacilik Sanayi ve Ticaret A.S. ⁽ⁱⁱⁱ⁾	Turkey	20%	Pasta production

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 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 30 June 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 30 September 2019.

12 OTHER ASSETS

	30 September 2019 (reviewed)	31 December 2018 (audited)
Receivable from investee *	11,938	11,957
Ijarah rental receivable	29,746	24,612
Prepayments and advances	2,028	5,330
Intangible assets	1,022	139
Dividend receivable	1,410	3,000
Fees and commission receivable	8,749	4,430
Others	2,141	2,671
	57,034	52,139
Less: Net impairment losses on other assets **	(236)	(59)
	56,798	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

	30 September 2019 (reviewed)	31 December 2018 (audited)
Term financing *	37,758	41,338
General financing **	139,756	81,290
	177,514	122,628

* Term financing is secured by a mortgage over an aircraft (note 9). Term financing has been availed 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 of USD 250 million (note 10).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2019

USD 000's

14 INCOME FROM INVESTMENT SECURITIES

	30 September 2019 (reviewed)	30 September 2018 (reviewed)
Profit on sukuk	8,027	9,180
Dividend income	2,108	2,495
Fair value gain on investment in structured products	2,338	-
(Loss) / gain on disposal of sukuk	(182)	942
Gain on disposal of quoted equity securities	-	5,454
	12,291	18,071

15 NET IMPAIRMENT LOSSES

	30 September 2019 (reviewed)	30 September 2018 (reviewed)
Quoted equity securities	3,000	-
Investment in Sukuk (note 17)	823	2,479
Placements with financial institutions (note 17)	(29)	41
Financing assets (note 17)	(1,196)	(952)
Other assets (note 17)	177	(29)
	2,775	1,539

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 nine months ended 30 September 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
30 September 2019 (reviewed)				
Assets				
Cash and bank balances	-	-	2,128	2,128
Placements with financial institutions	-	-	28,418	28,418
Financing assets	-	-	49,609	49,609
Investment securities	-	-	33,573	33,573
Equity accounted investees	72,622	-	-	72,622
Other assets	1,430	-	2,962	4,392
Liabilities				
Placements from financial institutions	-	-	36,702	36,702
Other liabilities	-	1,450	22,487	23,937

	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
31 December 2018 (audited)				
Assets				
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
Liabilities				
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 nine months ended 30 September 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:

30 September 2019 (reviewed)	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
Income				
Income from investment securities	(300)	-	2,408	2,108
Income from financing and placements with financial institutions	-	-	2,631	2,631
Share of results of equity accounted investees	2,286	-	-	2,286
Fees and commission income	-	-	502	502
Expenses				
Staff cost	-	2,781	-	2,781
Financing cost on placements from financial institutions	-	-	862	862
Other operating expenses	-	976	-	976
Net impairment losses	-	-	2,992	2,992

30 September 2018 (reviewed)	Associates	Key management personnel/ Shari'a board members/ external auditors	Significant shareholders/ board members/ entities in which directors are interested	Total
Income				
Income from investment securities	-	-	7,949	7,949
Income from financing and placements with financial institutions	527	-	3,114	3,641
Share of results of equity accounted investees	(425)	-	-	(425)
Fees and commission income	-	-	3,488	3,488
Expenses				
Staff cost	-	2,814	-	2,814
Financing cost on placements from financial institutions	-	-	708	708
Other operating expenses	-	881	-	881
Net impairment losses	(43)	-	(456)	(499)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 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
Gross exposure subject to ECL at 30 September 2019				
- Financing assets	69,298	95,819	27,274	192,391
- Investment in Sukuk	164,880	105,366	-	270,246
- Placements with financial institutions	44,136	-	-	44,136
- Other assets	48,821	3,022	-	51,843
	327,135	204,207	27,274	558,616
Opening Balance ECL - as at 1 January 2019				
- 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
	2,238	1,797	28,615	32,650
Net transfer between stages				
- Financing assets	(1,710)	1,710	(1,341)	(1,341)
- Investment in Sukuk	(12)	12	-	-
- Placements with financial institutions	-	-	-	-
- Other assets	-	-	-	-
	(1,722)	1,722	(1,341)	(1,341)
Charge for the period (net)				
- Financing assets	-	(1,196)	-	(1,196)
- Investment in Sukuk	50	773	-	823
- Placements with financial institutions	(29)	-	-	(29)
- Other assets	177	-	-	177
	198	(423)	-	(225)
Closing Balance ECL - as at 30 September 2019				
- Financing assets	-	1,123	27,274	28,397
- Investment in Sukuk	518	1,914	-	2,432
- Placements with financial institutions	19	-	-	19
- Other assets	177	59	-	236
	714	3,096	27,274	31,084
Net exposure at 30 September 2019				
- Financing assets	69,298	94,696	-	163,994
- Investment in Sukuk	164,362	103,452	-	267,814
- Placements with financial institutions	44,117	-	-	44,117
- Other assets	48,644	2,963	-	51,607
	326,421	201,111	-	527,532

Cash and bank balances did not have a significant ECL.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2019

USD 000's

18 COMMITMENTS

	30 September 2019 (reviewed)	31 December 2018 (audited)
Operating lease commitments	755	1,289
Financing commitments	11,911	15,916
	12,666	17,205

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:

30 September 2019 (reviewed)	Level 1	Level 2	Level 3	Total
Fair value through equity				
Quoted equity securities	33,573	-	-	33,573
Fair value through profit or loss				
Investment in structured products	-	21,089	-	21,089
31 December 2018 (audited)	Level 1	Level 2	Level 3	Total
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 nine months ended 30 September 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 September 2019 (reviewed)	Carrying amount	Fair value
Financial assets:		
Financing assets	163,994	163,994
Investment securities ¹	267,814	266,498
Total	431,808	430,492
Financial liabilities:		
Bank financing	177,514	177,514
Total	177,514	177,514
31 December 2018 (audited)	Carrying amount	Fair value
Financial assets:		
Financing assets	117,426	117,426
Investment securities ¹	253,812	240,194
Total	371,238	357,620
Financial liabilities:		
Bank financing	122,628	122,628
Total	122,628	122,628

¹ 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.