

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

30 JUNE 2022

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29 th Floor Building 1398, East Tower Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Ghazi Faisal Ebrahim Alhajeri, <i>Chairman</i> Edris Mohammed Rafi Alrafi, <i>Vice Chairman</i> Jassim Al Seddiqi, <i>(Resigned wef 04 April 2022)</i> Hisham Ahmed Alrayes Rashid Nasser Al Kaabi Ali Murad Ahmed Abdulhamid AlAhmadi, <i>(Resigned wef 07 June 2022)</i> Alia Al Falasi Fawaz Talal Al Tamimi Darwish Al Ketbi Yusuf Abdulla Taqi, <i>(Appointed wef 19 June 2022)</i>
Chief Executive Officer	:	Hisham Ahmed Alrayes
Auditors	:	KPMG Fakhro

GFH FINANCIAL GROUP BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022**

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Independent auditors' report on review of condensed consolidated interim financial information

To the Board of Directors
GFH Financial Group BSC
Manama, Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial information of GFH Financial Group BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2022;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2022;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2022;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 2022; 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 basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information. 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information.

10 August 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

US\$ 000's

	Note	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
ASSETS				
Cash and bank balances		674,570	722,471	593,229
Treasury portfolio	8	3,314,062	3,089,925	2,379,758
Financing assets	9	1,457,758	1,311,002	1,252,936
Investment in real estate	10	1,185,905	1,905,598	1,817,499
Proprietary investments	11	1,141,659	211,638	171,357
Co-investments	12	136,069	171,877	128,272
Receivables and other assets	13	540,197	531,488	578,336
Property and equipment		70,009	139,687	135,741
Total assets		8,520,229	8,083,686	7,057,128
LIABILITIES				
Clients' funds		148,073	216,762	88,776
Placements from financial, non-financial institutions and individuals		3,411,900	3,052,092	2,722,879
Customer current accounts		222,574	133,046	150,462
Term financing	14	1,988,847	1,750,667	1,269,419
Other liabilities		457,220	404,654	428,670
Total liabilities		6,228,614	5,557,221	4,660,206
Total equity of investment account holders		1,249,544	1,358,344	1,221,554
OWNERS' EQUITY				
Share capital		1,015,638	1,000,638	1,000,638
Treasury shares		(70,283)	(48,498)	(62,234)
Statutory reserve		27,970	27,970	24,058
Investment fair value reserve		(58,839)	(28,561)	4,109
Foreign currency translation reserve		-	(70,266)	(50,258)
Retained earnings		62,629	81,811	17,940
Share grant reserve		-	-	1,093
Total equity attributable to shareholders of the Bank		977,115	963,094	935,346
Non-controlling interests		64,956	205,027	240,022
Total owners' equity		1,042,071	1,168,121	1,175,368
Total liabilities, equity of investment account holders and owners' equity		8,520,229	8,083,686	7,057,128

The Board of Directors approved the condensed consolidated interim financial information on 10 August 2022 and signed on its behalf by:



Ghazi Faisal Ebrahim Alhajeri
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 23 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2022

US\$ 000's

	Note	Six months ended		Three months ended	
		30 June 2022 (reviewed)	30 June 2021 (reviewed)	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Investment banking income					
Asset management		3,584	1,599	2,595	794
Deal related income		41,514	33,138	17,824	16,353
		45,098	34,737	20,419	17,147
Commercial banking income					
Income from financing		42,975	39,784	21,747	18,126
Treasury and investment income		26,617	33,323	14,822	22,509
Fee and other income		1,960	2,257	(1,363)	701
Less: Return to investment account holders		(18,638)	(16,093)	(10,123)	(7,804)
Less: Finance expense		(16,055)	(17,558)	(7,975)	(8,991)
		36,859	41,713	17,108	24,541
Income from proprietary and co-investments					
Income from sale of real estate assets		1,932	7,346	-	3,913
Leasing and operating income		7,265	2,134	6,137	990
Direct investment income, net		3,247	13,921	757	2,780
Share of profit from equity-accounted investees		10,500	-	10,500	-
Income from co-investments		15,865	5,010	10,942	2,610
		38,809	28,411	28,336	10,293
Treasury and other income					
Finance and treasury portfolio income, net		52,104	58,898	24,168	29,248
Other income, net		9,893	17,251	1,918	9,392
		61,997	76,149	26,086	38,640
Total income		182,763	181,010	91,949	90,621
Operating expenses					
Operating expenses		59,565	59,760	25,266	27,575
Finance expense		80,691	63,396	44,910	29,733
Impairment allowances	15	(2,869)	13,709	(4,254)	8,508
Total expenses		137,387	136,865	65,922	65,816
Profit for the period		45,376	44,145	26,027	24,805
Attributable to:					
Shareholders of Bank		42,180	37,044	23,062	20,922
Non-controlling interests		3,196	7,101	2,965	3,883
		45,376	44,145	26,027	24,805
Earnings per share					
Basic and diluted earnings per share (US cents)	16	1.22	1.21	0.67	0.68



 Ghazi Faisal Ebrahim Alhajeri
 Chairman



 Hisham Alrayes
 Chief Executive Officer & Board member

The accompanying notes 1 to 23 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2022

US\$ 000's

	Attributable to shareholders of the Bank						Non-Controlling Interests (NCI)	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings			Total
30 June 2022 (reviewed)									
Balance at 1 January 2022	1,000,638	(48,498)	27,970	(28,561)	(70,266)	81,811	963,094	205,027	1,168,121
Profit for the period	-	-	-	-	-	42,180	42,180	3,196	45,376
Transfer on reclassification from FVTE to amortised cost	-	-	-	41,320	-	-	41,320	-	41,320
Fair value changes during the period	-	-	-	(69,084)	-	-	(69,084)	(2,335)	(71,419)
Transfer to income statement on disposal of sukuk	-	-	-	(2,514)	-	-	(2,514)	-	(2,514)
Total recognised income and expense	-	-	-	(30,278)	-	42,180	11,902	861	12,763
Bonus shares issued	15,000	-	-	-	-	(15,000)	-	-	-
Dividend declared	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Purchase of treasury shares	-	(53,650)	-	-	-	-	(53,650)	-	(53,650)
Transfer to zakah and charity fund	-	-	-	-	-	(1,483)	(1,483)	-	(1,483)
Sale of treasury shares	-	31,865	-	-	-	121	31,986	-	31,986
Transferred to income statement on deconsolidation of subsidiaries	-	-	-	-	70,266	-	70,266	-	70,266
Adjusted on deconsolidation of subsidiaries (Note 22)	-	-	-	-	-	-	-	(141,295)	(141,295)
Additional NCI on acquisition of subsidiary (Note 23)	-	-	-	-	-	-	-	363	363
Balance at 30 June 2022	1,015,638	(70,283)	27,970	(58,839)	-	62,629	977,115	64,956	1,042,071

The accompanying notes 1 to 23 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

for the six months ended 30 June 2022 (continued)

US\$ 000's

	Attributable to shareholders of the Bank							Non – controlling interests	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translatio n reserve	Retained earnings	Share grant reserve			Total
30 June 2021 (reviewed)										
Balance at 1 January 2021 (as previously reported)	975,638	(63,979)	19,548	5,593	(46,947)	22,385	1,093	913,331	272,733	1,186,064
Effect of adoption of FAS 32	-	-	-	-	-	(2,096)	-	(2,096)	-	(2,096)
Balance at 1 January 2021 (restated)	975,638	(63,979)	19,548	5,593	(46,947)	20,289	1,093	911,235	272,733	1,183,968
Profit for the period	-	-	-	-	-	37,044	-	37,044	7,101	44,145
Fair value changes during the period	-	-	-	11,200	-	-	-	11,200	(6)	11,194
Transfer to income statement on disposal of sukuk	-	-	-	(12,684)	-	-	-	(12,684)	-	(12,684)
Total recognised income and expense	-	-	-	(1,484)	-	37,044	-	35,560	7,095	42,655
Bonus shares issued	25,000	-	-	-	-	(25,000)	-	-	-	-
Dividends declared for 2020	-	-	-	-	-	(17,000)	-	(17,000)	-	(17,000)
Transfer to zakah and charity fund	-	-	-	-	-	(1,572)	-	(1,572)	(142)	(1,714)
Transfer to statutory reserve	-	-	4,510	-	-	(4,510)	-	-	-	-
Purchase of treasury shares	-	(26,777)	-	-	-	-	-	(26,777)	-	(26,777)
Sale of treasury shares	-	28,522	-	-	-	921	-	29,443	-	29,443
Foreign currency translation differences	-	-	-	-	(3,311)	-	-	(3,311)	(1,411)	(4,722)
Acquisition of NCI without a change in control	-	-	-	-	-	7,768	-	7,768	(38,253)	(30,485)
Balance at 30 June 2021	1,000,638	(62,234)	24,058	4,109	(50,258)	17,940	1,093	935,346	240,022	1,175,368

The accompanying notes 1 to 23 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2022

US\$ 000's

	30 June 2022 (reviewed)	30 June 2021 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	45,376	44,145
Adjustments for:		
Income from commercial banking	(26,321)	(33,065)
Income from proprietary investments	(37,282)	(18,931)
Income from dividend and gain on treasury investments	(53,024)	(85,628)
Foreign exchange gain	(1,305)	(1,105)
Finance expense	80,691	80,953
Impairment allowances	(2,869)	13,709
Depreciation and amortisation	776	2,621
	6,042	2,699
Changes in:		
Placements with financial institutions (maturities of more than 3 months)	-	(100,995)
Financing assets	(146,756)	14,330
Other assets	(19,209)	44,773
CBB Reserve and restricted bank balance	(982)	(10,319)
Clients' funds	(68,689)	(42,159)
Placements from financial and non-financial institutions	359,808	304,879
Customer current accounts	89,528	9,706
Equity of investment account holders	(108,800)	64,561
Payables and accruals	17,099	(36,367)
Net cash generated from operating activities	128,041	251,108
INVESTING ACTIVITIES		
Payments for purchase of equipment	(74)	(851)
Proceeds from sale of proprietary investment securities, net	415	23,129
Purchase of treasury portfolio, net	(269,077)	(411,882)
Cash acquired on acquisition of a subsidiary	407	-
Cash paid on acquisition of a subsidiary	(5,215)	-
Dividends received from proprietary investments and co-investments	25,528	7,449
Advance paid for development of real estate	(22,652)	(5,081)
Net cash used in investing activities	(270,668)	(387,236)
FINANCING ACTIVITIES		
Financing liabilities, net	149,146	180,341
Finance expense paid	(82,531)	(72,767)
Purchase of sukuk	(2,028)	-
Dividends paid	(853)	(17,299)
Purchase of treasury shares, net	(21,785)	1,746
Net cash generated from financing activities	41,949	92,021
Net decrease in cash and cash equivalents during the period	(100,678)	(44,107)
Cash and cash equivalents at 1 January	844,344	655,455
Cash and cash equivalents at 30 June	743,666	611,348
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB Reserve balance and restricted cash)	615,504	538,438
Placements with financial institutions (less than 3 months)	128,162	72,910
	743,666	611,348

The accompanying notes 1 to 23 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2022

30 June 2022 (reviewed)	Balance at 1 January 2022			Movements during the period					Balance at 30 June 2022			
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.33	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.87	94	-	-	-	-	-	-	12	7.87	94
Safana Investment (RIA 1)	1,247	2.65	3,305	-	-	-	-	-	-	1,247	2.65	3,305
Shaden Real Estate Investment WLL (RIA 5)	269	2.65	713	-	-	-	-	-	-	269	2.65	713
			4,162	-	-	-	-	-	-			4,162

30 June 2021 (reviewed)	Balance at 1 January 2021			Movements during the period					Balance at 30 June 2021			
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.33	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.91	95	(2)	-	-	-	-	-	12	7.91	93
Safana Investment (RIA 1)	6,254	2.65	16,573	-	-	-	-	-	-	6,254	2.65	16,573
Shaden Real Estate Investment WLL (RIA 5)	3,434	2.65	9,100	-	-	-	-	-	-	3,434	2.65	9,100
Locata Corporation Pty Ltd (RIA 6)	2,633	1.00	2,633	-	-	-	-	-	-	2,633	1.00	2,633
			28,451	(2)	-	-	-	-	-			28,449

The accompanying notes 1 to 23 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND
for the six months ended 30 June 2022

US\$ 000's

	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	2,529	1,714
Non-Islamic income	21	18
Total sources	2,550	1,732
Uses of zakah and charity fund		
Utilization of zakat and charity fund	(1,775)	(1,828)
Total uses	(1,775)	(1,828)
Surplus of sources over uses	775	(96)
Undistributed zakah and charity fund at beginning of the period	5,196	5,346
Undistributed zakah and charity fund at end of the period	5,971	5,250
Represented by:		
Zakah payable	826	1,013
Charity fund	5,145	4,237
	5,971	5,250

The accompanying notes 1 to 23 form an integral part of the condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022**

US\$ 000's

1 Reporting entity

The condensed consolidated interim financial information for the six months ended 30 June 2022 comprise the financial information of GFH Financial Group BSC (GFH or the "Bank") and its subsidiaries (together referred to as "the Group").

The following are the principal subsidiaries consolidated in the condensed consolidated interim financial information.

Investee name	Country of incorporation	Effective ownership interests as at 30 June 2022	Activities
GFH Capital Limited	United Arab Emirates	100%	Investment management
GFH Capital S.A.	Saudi Arabia	100%	Investment management
Khaleeji Commercial Bank BSC ('KHCB')	Kingdom of Bahrain	85.14%	Islamic retail bank
Al Areen Project companies		100%	Real estate development
GBCORP Tower Real Estate WLL		62.91%	Islamic investment firm
Residential South Real Estate Development Company (RSRED)		100%	Real estate development
Britus International School for Special Education W.L.L		100%	Educational institution
Gulf Holding Company KSCC		State of Kuwait	53.63%
SQ Topco II LLC (Note 23)	United States	51%	Property asset management Company
Roebuck A M LLP	United Kingdom	60%	Property asset management Company

The Bank has other investment holding companies, SPV's and subsidiaries, which are set up to supplement the activities of the Bank and its principal subsidiaries.

GFH Group has carried out a group restructuring program (the 'program') which involves the spinning out of its infrastructure and real estate assets under a new entity "Infracorp B.S.C." ("Infracorp"), which has been capitalized with more than US\$1 billion in infrastructure and development assets. Infracorp will specialise in investments focusing on accelerating growth and development of sustainable infrastructure assets and environments across the gulf and global markets.

Under this program certain real estate and infrastructure assets as well as certain investments in securities, equity accounted investees and subsidiaries have been transferred from the Group to Infracorp for an in-kind consideration in the form of Sukuk and/ or equity shares issued by Infracorp. A majority stake of 60% in Infracorp equity was divested during the period ended 31 March 2022. See note 22 for more details.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2022**

US\$ 000's

2 Basis of preparation

The condensed consolidated interim financial information of the Group has been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain (“CBB”). These rules and regulations require the adoption of all Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI).

The accounting policies used in the preparation of annual audited consolidated financial information of the Group for the year ended 31 December 2020 and 31 December 2021 were in accordance with FAS as modified by CBB (refer to the Group’s audited financial statements for the year ended 31 December 2021 for the details of the COVID-19 related modifications applied). Since the CBB modification were specific to the financial year 2020 and no longer apply to both the current and comparative periods presented, the Group’s interim financial information for the six months ended 30 June 2022 has been prepared in accordance with FAS issued by AAOIFI (without any modifications).

These condensed consolidated interim financial information are reviewed and not audited. The condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the Group’s last audited consolidated financial statements for the year ended 31 December 2021. 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 last annual audited consolidated financial statements as at and for the year ended 31 December 2021.

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 last audited consolidated financial statements as at and for the year ended 31 December 2021, except those arising from adoption of the following standards and amendments to standards effective from 1 January 2022. The impact of adoption of these standards and amendments is set out below.

a. New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2022:***FAS 38 Wa’ad, Khiyar and Tahawwut***

AAOIFI has issued FAS 38 Wa’ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to shariah compliant Wa’ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022.

This standard classifies Wa’ad and Khiyar arrangements into two categories as follows:

- a) “ancillary Wa’ad or Khiyar” which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and
- b) “product Wa’ad and Khiyar” which is used as a stand-alone Shariah compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa’ad and Khiyar products.

There was no material impact on the Group upon adoption of this standard.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022**

US\$ 000's

3 *Significant accounting policies (continued)***b. New standards, amendments and interpretations issued but not yet effective****(i) FAS 39 Financial Reporting for Zakah**

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period.

The Group is assessing the impact of adoption of this standard.

(ii) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quasi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AAOIFI FAS's; and
- l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2022**

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4 Estimates and judgements

Preparation of condensed consolidated interim financial information requires management to make judgments, 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 areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2021.

Russia-Ukraine conflict

On 24 February 2022, a military conflict between Russia and Ukraine emerged (the "conflict"). Owing to this various countries and international bodies have imposed trade and financial sanctions on Russia and Belarus. Further, various organisations have discontinued their operations in Russia. This conflict has resulted in an economic downturn and increased volatility in commodity prices due to disruption of supply chain.

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, indirect impact is pervasive in the market and at this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any. During the period ended 30 June 2022, the Group's investment portfolio reduced in market value by US\$ 69,084 thousand for investments carried as FVTE and US\$ 22,005 thousand for investments carried as FVTPL due to volatile market movements. However, the Group does not trade in such securities and does not expect to liquidate any of its market portfolio in short term.

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5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2021.

Regulatory ratios
a. Net stable funding Ratio (NSFR)

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding".

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, is as follows:

As at 30 June 2022

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	1,059,069	-	-	50,851	1,109,920
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	176,266	24,769	4,177	195,160
6	Less stable deposits	-	1,498,093	275,805	132,219	1,728,727
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	3,022,773	814,421	1,018,189	2,126,084
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	316,756	17,775	52,570	52,570
13	Total ASF					5,212,461
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	1,664,881				85,576
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:	-	702,253	-	749,801	742,669
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	-	5,026	1,025,947	874,568
19	Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	268,059	161,157	253,571	379,429

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5 *Financial risk management (continued)*

No.	Item	No Specified Maturity,"	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	848,827	290,784	488,423	1,058,228
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	1,903,173	-	-	-	1,903,173
30	OBS items		-	-	-	44,723
31	Total RSF		1,819,140	456,966	2,517,741	5,088,366
32	NSFR (%)					102%

As at 31 December 2021

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	1,070,314	-	-	49,953	1,120,267
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	182,112	25,962	2,749	200,420
6	Less stable deposits	-	1,314,514	430,372	90,957	1,661,355
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	2,860,814	861,346	773,058	1,896,078
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	136,864	18,759	71,437	71,437
13	Total ASF					4,949,558
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	1,493,881				73,941

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5 *Financial risk management (continued)*

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and sukuk/ securities:	-	636,283	-	720,739	708,071
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	5,000	-	174,023	150,419
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	320,720	91,696	205,595	339,845
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	615,521	634,536	291,421	916,449
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	2,672,214	-	-	-	2,672,214
30	OBS items		-	-	-	27,946
31	Total RSF		1,577,524	726,232	1,391,778	4,888,886
32	NSFR (%)					101%

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5 *Financial risk management (continued)*b. *Liquidity Coverage Ratio (LCR)*

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high-quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30-calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days.

	Average balance	
	30 June 2022	31 December 2021
Stock of HQLA	259,086	292,998
Net cashflows	221,628	148,599
LCR %	122%	221%
Minimum required by CBB	80%	80%

c. *Capital Adequacy Ratio*

	30 June 2022	31 December 2021
CET 1 Capital before regulatory adjustments	998,476	1,063,515
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	998,476	1,063,515
T 2 Capital adjustments	46,462	53,374
Regulatory Capital	1,044,938	1,116,889
Risk weighted exposure:		
Credit Risk Weighted Assets	6,967,411	7,574,496
Market Risk Weighted Assets	39,045	38,325
Operational Risk Weighted Assets	655,034	655,034
Total Regulatory Risk Weighted Assets	7,661,490	8,267,855
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	7,661,490	8,267,850
Capital Adequacy Ratio (CAR)	13.64%	13.51%
Tier 1 Capital Adequacy Ratio	13.03%	12.86%
Minimum CAR required by CBB	12.50%	12.50%

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6 Seasonality

Due to the inherent nature of the Group's business (investment banking, commercial banking and leisure and hospitality management business), the six-month results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

7 Comparatives

The comparative figures have been regrouped in order to conform with the presentation for current year. Such regrouping did not affect previously reported profit for the period or total equity.

8 Treasury portfolio

	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
Placements with financial institutions	128,162	180,000	180,736
Equity type investments <i>At fair value through income statement</i>			
- Structured notes	324,481	403,986	452,040
Debt type investments <i>At fair value through equity</i>			
- Quoted sukuk	882,594	1,656,088	981,894
<i>At amortised cost</i>			
- Quoted sukuk *	1,987,956	860,616	770,936
- Unquoted sukuk	3,494	3,486	3,494
<i>Less: Impairment allowances</i>	(12,625)	(14,251)	(9,342)
	3,314,062	3,089,925	2,379,758

* Short-term and medium-term facilities of US\$ 1,690,298 thousand (31 December 2021: US\$ 1,417,800 thousand) are secured by quoted sukuk of US\$ 2,234,966 thousand (31 December 2021: US\$ 2,070,315 thousand), structured notes of US\$ 324,481 thousand (31 December 2021: US\$ 403,986 thousand).

Reclassification

During the period, based on completion of the Group re-organization and on review of the overall balance sheet funding structure the Bank has reassessed its business model of managing its yielding treasury portfolio. In anticipation of the short-term and long-term liquidity needs, during the first quarter of 2022, the Bank has re-assessed the objective of its treasury portfolio wherein it would manage the underlying assets the following distinct business models:

i) *Held-to-collect business model*

This portfolio includes short-term and long-term Sukuk and treasury instruments that are held to meet core liquidity requirements of high-quality liquid assets and are typically held to their contractual maturity. Assets under this model are classified and measured at amortised cost. Although management considers fair value information, it does so from a liquidity perspective, and the main focus of its review of financial information under this business model is on the credit quality and contractual returns.

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*8. Treasury portfolio (continued)**Reclassification (continued)*ii) *Classified as fair value through P&L*

These include instruments that do not meet the contractual cash flow characteristic and include embedded option features or instruments held under an active trading portfolio for short-term profit taking. This portfolio includes structured notes and other hybrid debt-type instruments that do not have a typical constant yield features.

iii) *Both held-to-collect and for sale business model*

The remaining fixed income treasury portfolio is held under active treasury management to collect both contract cash flows and for sale. These include Sukuk and other treasury instruments where yield is determinable. The key management personnel consider both of these activities as integral in achieving the objectives set for the Treasury business unit. This portfolio, while generating returns primarily through yield, is also held to meet expected or unexpected commitments, or to fund anticipated acquisitions or growth in other business units. Assets under this model are classified and measured at fair value through equity.

Until 31 December 2021, the Bank classified its whole Sukuk portfolio as FVTE only under a 'both held-to-collect and for sale' business model. The Board of Directors have assessed that the group re-organisation has significantly changed the liquidity management and strategy within the Bank and the above classification of the treasury portfolio best reflects the way the assets will be managed in order to meet the objectives of the new business model and the way information is provided to management. Due to the above change in the business model, the Bank has reclassified its treasury portfolio as at 1 January 2022 as follows:

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Assets subject to reclassification	Fair value through equity (FVTE)	Reversal of amounts recognized in investment fair value reserve	Reclassified to Amortised cost
Sukuk	894,194	41,320	935,514

9 Financing assets

	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
Murabaha	1,066,393	995,324	949,930
Musharaka	-	-	277
Wakala	239	239	239
Mudharaba	12,436	2,576	2,624
Istisnaa	-	-	37
Assets held-for-leasing	449,360	384,312	366,886
	1,528,428	1,382,451	1,319,993
Less: Impairment allowances	(70,670)	(71,449)	(67,057)
	1,457,758	1,311,002	1,252,936

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9. Financing assets (continued)

Murabaha financing receivables are net of deferred profits of US\$ 55,215 thousands (31 December 2021: US\$ 44,979 thousands).

The movement on financing assets is as follows:

30 June 2022 (reviewed)	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,293,478	140,040	94,910	1,528,428
Expected credit loss	(22,245)	(6,162)	(42,263)	(70,670)
Financing assets (net)	1,271,233	133,878	52,647	1,457,758

31 December 2021 (audited)	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,015,953	251,500	114,998	1,382,451
Expected credit loss	(19,995)	(7,109)	(44,345)	(71,449)
Financing assets (net)	995,958	244,391	70,653	1,311,002

30 June 2021 (reviewed)	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,010,224	180,066	129,703	1,319,993
Expected credit loss	(22,065)	(4,732)	(40,260)	(67,057)
Financing assets (net)	988,159	175,334	89,443	1,252,936

The movement on impairment allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	19,995	7,109	44,345	71,449
Net movement between stages	1,859	(1,302)	(557)	-
Net charge for the period	391	355	870	1,616
Writeoffs	-	-	(2,395)	(2,395)
At 30 June 2022 (reviewed)	22,245	6,162	42,263	70,670

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	20,841	6,255	28,914	56,010
Net movement between stages	796	822	(1,618)	-
Net charge for the period	(1,640)	(64)	18,080	16,376
Transfer to off balance sheet	-	-	(12)	(12)
Disposal	(2)	96	(1,019)	(925)
At 31 December 2021 (audited)	19,995	7,109	44,345	71,449

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9. Financing assets (continued)

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	20,841	6,255	28,914	56,010
Net movement between stages	984	(862)	(122)	-
Net charge for the period	240	(661)	11,468	11,047
At 30 June 2021 (reviewed)	22,065	4,732	40,260	67,057

10 Investment in real estate

	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
Investment Property			
- Land	520,773	529,076	481,370
- Building	165,716	63,758	63,854
	686,489	592,834	545,224
Development Property			
- Land	100,405	592,926	761,206
- Building	399,011	719,838	511,069
	499,416	1,312,764	1,272,275
	1,185,905	1,905,598	1,817,499

11 Proprietary investments

	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Structured notes	41,483	41,197	-
- Listed securities	7,464	-	-
- Unlisted fund	10,000	10,000	10,000
	58,947	51,197	10,000
<i>At fair value through equity</i>			
- Listed securities	13	13	13
- Unquoted securities *	959,190	91,425	84,902
	959,203	91,438	84,915
Equity-accounted investees *	123,509	69,003	76,442
	1,141,659	211,638	171,357

* Comprises of Bank's 40% equity stake in issued share capital of Infracorp B.S.C. (c) ("IC") and holdings in perpetual sukuk issued by IC.

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12 Co-investments

	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
<i>At fair value through equity</i>			
- Unquoted securities	125,439	164,547	120,689
<i>At fair value through income statement</i>			
- Unquoted securities	10,630	7,330	7,583
	136,069	171,877	128,272

13 Receivables and other assets

	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
Investment banking receivables	142,120	148,985	147,784
Financing to projects, net	45,034	42,383	42,890
Receivable on sale of development properties	45,368	59,914	30,691
Advances and deposits	81,537	58,222	63,038
Employee receivables	18,508	18,898	5,326
Profit on sukuk receivable	11,423	17,273	15,455
Lease rentals receivable	2,549	2,175	3,261
Re-possessed assets	-	-	29,572
Prepayments and other receivables	204,765	194,313	245,789
Less: Impairment allowances net of write-off	(11,107)	(10,675)	(5,470)
	540,197	531,488	578,336

14 Term financing

	30 June 2022 (reviewed)	31 December 2021 (audited)	30 June 2021 (reviewed)
Murabaha financing *	1,719,685	1,449,852	885,289
Sukuk **	248,743	250,943	308,995
Ijarah financing	18,862	20,093	45,914
Other borrowings	1,557	29,779	29,221
	1,988,847	1,750,667	1,269,419

* *Murabaha financing comprise:*

Short-term and medium-term facilities of US\$ 1,690,298 thousand (31 December 2021: US\$ 1,417,800 thousand) are secured by quoted sukuk of US\$ 2,234,966 thousand (31 December 2021: US\$ 2,070,315 thousand), structured notes of US\$ 324,481 thousand (31 December 2021: US\$ 403,986 thousand).

** *Sukuk*

During 2020, the Group raised US\$ 500,000 thousand through issuance of unsecured sukuk certificates with a profit rate of 7.5% p.a. repayable by 2025. The Bank has repurchased cumulative sukuk of US\$ 258,511 thousand during the year ended 31 December 2020 and 2021 and the period ended 30 June 2022. The outstanding sukuk also includes accrued profit of US\$ 7,254 thousand.

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15 Impairment allowances

	Six months ended	
	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Expected credit loss on:		
Bank balances	11	13
Treasury portfolio	(1,626)	3,238
Financing assets, net (note 9)	1,616	11,047
Other receivables	(3,263)	(1,394)
Impairment on investment in equity securities	1	470
Commitments and financial guarantees	392	335
	(2,869)	13,709

16 Earnings per share

The calculation of basic earning per share has been based on the following profit attributable to the ordinary shareholders and weighted-average number of ordinary shares outstanding. The Group does not have any diluted potentially ordinary shares as of the reporting dates. Hence, the basic and diluted earning per share is similar.

	Six months ended		Three months ended	
	30 June 2022 (reviewed)	30 June 2021 (reviewed)	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Profit for the period attributable to shareholders of the Bank	42,180	37,044	23,062	20,922
Weighted average number of shares outstanding during the period (in thousands)	3,457,589	3,056,479	3,418,599	3,056,605
Basic and diluted earning per share (US Cents)	1.22	1.21	0.67	0.68

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17 Related party transactions

The significant related party balances and transactions as at 30 June 2022 are given below:

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
30 June 2022 (reviewed)					
Assets					
Cash and bank balances	-	-	-	13,726	13,726
Treasury portfolio	-	-	-	37,743	37,743
Financing assets	-	8,210	38,871	17,429	64,510
Proprietary investments	1,003,350	-	149,748	11,963	1,165,061
Co-investments	-	-	5,430	119,420	124,850
Receivables and prepayments	11,729	813	846	106,795	120,183
Liabilities					
Placements from financial, non-financial institutions and individuals	-	7,477	-	108,680	116,157
Customer accounts	2,061	653	6,179	14,776	23,669
Payables and accruals	48,500	-	-	129,206	177,706
Equity of investment account holders	1,093	1,037	79,803	626	82,559
Income					
Income from Investment banking	-	-	-	20,419	20,419
Income from commercial banking					
- <i>Income from financing</i>	-	300	626	-	926
- <i>Fee and other income</i>	(1,809)	-	-	-	(1,809)
- <i>Less: Return to investment account holders</i>	(13)	(13)	(9,599)	(5)	(9,630)
- <i>Less: Finance expense</i>	-	(101)	-	-	(101)
Income from proprietary and co-investments	10,500	-	-	27,077	37,577
Treasury and other income	-	-	-	536	536
Real estate income	-	3,020	-	-	3,020
Expenses					
Operating expenses					
- Staff cost	-	4,545	-	-	4,545
Finance cost	-	-	-	2,162	2,162

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17 Related party transactions (continued)

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
31 December 2021 (audited)					
Assets					
Cash and bank balance	-	-	-	14,725	14,725
Treasury portfolio	-	-	37,148	-	37,148
Financing assets	-	7,817	33,407	16,482	57,706
Proprietary investments	114,387	-	20,328	48,011	182,726
Co-investments	-	-	-	76,794	76,794
Receivables and prepayments	8,060	623	300	171,559	180,542
Liabilities					
Placements from financial, non-financial institutions and individuals	-	4,430	-	231,117	235,547
Customer accounts	1,488	366	872	14,725	17,451
Payables and accruals	-	2,688	1,528	33,678	37,894
Equity of investment account holders	1,088	355	54,276	772	56,491
30 June 2021 (reviewed)					
Income					
Income from Investment banking	-	-	-	29,637	29,637
Income from commercial banking					
- <i>Income from financing</i>	-	109	1,575	56	1,740
- <i>Fee and other income</i>	(1,833)	-	-	698	(1,135)
- <i>Less: Return to investment account holders</i>	16	3	1,925	11	1,955
- <i>Less: Finance expense</i>	-	48	1,403	-	1,451
Income from proprietary and co-investments	(45)	-	8,017	10,457	18,429
Income from real estate	-	120	-	-	120
Treasury and other income	-	-	(698)	635	(63)
Operating expenses					
- Staff cost	-	4,509	-	-	4,509
- Board remuneration	-	2,400	-	-	2,400
Finance Cost	-	-	-	10,632	10,632

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18 Segment reporting

The Group is organised into business units based on their nature of operations and independent reporting entities and has four reportable operating segments namely investment banking, commercial banking and corporate and treasury.

	Investment banking	Commercial banking	Corporate and treasury	Total
30 June 2022 (reviewed)				
Segment revenue	45,098	36,859	100,806	182,763
Segment expenses	(36,040)	(18,625)	(82,722)	(137,387)
Segment result	9,058	18,234	18,084	45,376
Segment assets	1,229,036	3,278,897	4,012,296	8,520,229
Segment liabilities	843,336	1,282,141	4,103,137	6,228,614
Equity of investment account holders	-	1,140,258	109,286	1,249,544
<i>Other segment information</i>				
Impairment allowance	(3,763)	2,196	(1,302)	(2,869)
Proprietary investments (<i>Equity-accounted investees</i>)	3,330	34,446	85,733	123,509
Commitments	56,400	165,125	39,573	261,098

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18 *Segment reporting (continued)*

	Investment banking	Commercial banking	Corporate and treasury	Total
30 June 2021 (reviewed)				
Segment revenue	34,737	41,713	104,560	181,010
Segment expenses	(36,437)	(25,731)	(74,697)	(136,865)
Segment result	(1,700)	15,982	29,863	44,145
Segment assets	1,043,102	2,761,279	3,252,747	7,057,128
Segment liabilities	679,654	1,162,469	2,818,083	4,660,206
<i>Other segment information</i>				
Impairment allowance	(519)	10,968	3,260	13,709
Proprietary investments (<i>Equity-accounted investees</i>)	18,290	52,388	5,764	76,442
Equity of investment account holders	-	1,062,868	158,686	1,221,554
Commitments	-	126,180	27,038	153,218

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19 Commitments and contingencies

The commitments contracted in the normal course of business of the Group:

	30 June 2022 US\$ 000's (reviewed)	31 December 2021 US\$ 000's (audited)	30 June 2021 US\$ 000's (reviewed)
Undrawn commitments to extend finance	122,480	95,347	86,412
Financial guarantees	76,562	39,995	41,788
Capital commitment for infrastructure development projects	60,446	16,171	20,104
Commitment to invest	1,610	3,915	4,914
	261,098	155,428	153,218

Performance obligations

During the ordinary course of business, the Group may enter performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group at 30 June 2022 due to the performance of any of its projects.

Litigations, claims and contingencies

The Group has several claims and litigations filed against it in connection with projects promoted by the Bank in the past and with certain transactions. Further, claims against the Group entities also have been filed by former employees and customers. Based on the advice of the Bank's external legal counsel, the management is of the opinion that the Bank has strong grounds to successfully defend itself against these claims. Where applicable, appropriate provision has been made in the books of accounts. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

20 Financial instruments**Fair values**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted Sukuk carried at amortised cost (net of impairment allowances) of USD 1,987,956 thousand (31 December 2021: USD 860,616 thousand) is USD 1,816,788 thousand as at 30 June 2022 (31 December 2021: USD 883,618 thousand). There are no material changes in the fair values of the Sukuk's carried at amortised cost subsequent to the reporting date until the date of signing the condensed consolidated interim financial information for the period ended 30 June 2022.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

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20 *Financial instruments (continued)***Fair value hierarchy**

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Structured note	Fair value of underlying reference portfolio adjusted for embedded derivatives that protect downside risk and cap upside potential over the period of the contract.	Credit risk of counterparty and volatility assumptions for time to maturity	Ability of the Group to hold the structure note to maturity and impact of the value of embedded derivatives (strike prices and barriers for coupon and principal).
Equity investments	Discounted cash flow	Marketability factor and Discount rate	Ability of Group to exit these investments and their impact on the overall value as these are unquoted investments.

The potential effect of change in assumptions used above would have the following effects.

	30 June 2022 (reviewed)		30 June 2021 (reviewed)	
	Profit or loss	FVTE	Profit or Loss	FVTE
Equity instruments- marketability factor ($\pm 10\%$)	$\pm 1,809$	$\pm 18,463$	± 758	$\pm 20,559$
Structure notes- impact in underlying index ($\pm 5\%$)	$\pm 18,798$	-	$\pm 23,102$	-

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20 *Financial instruments (continued)*

The table below analyses the financial instruments carried at fair value, by valuation method.

30 June 2022 (reviewed)*i) Proprietary investments*

Investment securities carried at fair value through:

- income statement
- equity

	Level 1	Level 2	Level 3	Total
- income statement	-	58,947	-	58,947
- equity	900,013	-	59,190	959,203
	900,013	58,947	59,190	1,018,150
<i>ii) Treasury portfolio</i>				
Investment securities carried at fair value through:				
- income statement	-	184,080	140,401	324,481
- equity	882,594	-	-	882,594
	882,594	184,080	140,401	1,207,075
<i>iii) Co-investments</i>				
Investment securities carried at fair value through				
- equity	-	-	125,439	125,439
- income statement	-	-	10,630	10,630
	-	-	136,069	136,069
	1,782,607	243,027	335,660	2,361,294

31 December 2021 (audited)

i) Proprietary investments

Investment securities carried at fair value through:

- income statement
- equity

	Level 1	Level 2	Level 3	Total
- income statement	-	51,197	-	51,197
- equity	13	-	91,425	91,438
	13	51,197	91,425	142,635
<i>ii) Treasury portfolio</i>				
Investment securities carried at fair value through:				
- income statement	-	224,086	179,900	403,986
- equity	1,656,088	-	-	1,656,088
	1,656,088	224,086	179,900	2,060,074
<i>iii) Co-investments</i>				
Investment securities carried at fair value through				
- equity	-	-	164,547	164,547
- income statement	-	-	7,330	7,330
	-	-	171,877	171,877
	1,656,101	275,283	443,202	2,374,586

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20 *Financial instruments (continued)*

The following table analyses the movement in Level 3 financial assets during the period:

	30 June 2022 2022 (reviewed)	31 December 2021 (audited)
At beginning of the period	443,202	390,567
Total gains / (losses) in income statement	(22,005)	(17,223)
Transfer from Level 2	(39,499)	24,650
Disposals at carrying value	(45,382)	(27,532)
Purchases	(656)	69,129
Fair value changes during the period	-	3,611
At end of the period	335,660	443,202

21 **Assets under management and custodial assets**

The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of US\$ 6,679 million (31 December 2021: US\$ 5,297 million). During the period, the Group had charged management fees amounting to US\$ 3,584 thousands (30 June 2021: US\$ 1,599 thousands) to its assets under management.

Assets under management includes funds under discretionary portfolio management ('DPM') accepted from investors amounting to US\$ 701,211 thousands (31 December 2021: US\$639,599 thousand) out of which US\$ 592,531 thousands (31 December 2021: US\$407,877 thousand) has been invested in to Bank's own investment products.

22 **Deconsolidation of subsidiaries**

During the period, GFH Group has carried out a group restructuring program (the 'program') which involves the spinning off of its infrastructure and real estate assets under a new entity "Infracorp" ("the Company"), which was capitalized with US\$1.1 billion in infrastructure and development assets. Infracorp will specialise in investments focusing on accelerating growth and development of sustainable infrastructure assets and environments across the Gulf and global markets.

Under this program certain real estate and infrastructure assets were transferred from the group entities, including the Bank, to Infracorp for an in-kind consideration financed by US\$ 200 million of equity shares and US\$ 900m of Hybrid Sukuk (perpetual equity) issued by Infracorp.

The transfer of these assets were affected in the quarter ended 31 March 2022. Subsequent to the transfer of these assets GFH sold 60% of its equity in Infracorp to third party investors, resulting in loss of controlling stake and this resulted in Infracorp no longer being a subsidiary of GFH as at 30 June 2022 and has been accounted for as an equity accounted investee. The results of operation of Infracorp till the date of its disposal are consolidated in these condensed interim consolidated financial statements. The impact of the disposal of Infracorp is presented below:

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22. *Deconsolidation of subsidiaries (continued)*

	30 June 2022 (reviewed)
ASSETS	
Cash and bank balances	80,119
Treasury portfolio	50,912
Financing assets	38,100
Real estate investment	847,221
Proprietary investment	67,861
Co-Investments	120,735
Receivables & prepayments	87,645
Property and equipments	81,201
Total	1,373,794
LIABILITIES	
Term financing	24,467
Payables and accruals	108,032
Total	132,499
Non-controlling interest	141,295
Net assets transferred	1,100,000
Consideration on the date of transfer:	
Equity in Infracorp	200,000
Hybrid perpetual sukuk	900,000
	1,100,000
	30 June 2022 (reviewed)
Net profit included in the current period condensed consolidated income statement **	(438)

** Net profits includes cumulative profit from all the assets and subsidiaries transferred as part of the consolidation of subsidiaries

Discontinuing operations:

The assets of the business forming part of Infracorp were not necessarily operated as stand-alone segment and largely reflect land bank and infrastructure development projects of the Bank that were carved-out under a new business model. Hence, the net assets transferred in infracorp were not classified as discontinued operations other than as disclosed below in relation to its industrial operations.

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22. *Deconsolidation of subsidiaries (continued)*

A. Results of discontinued operation

	30 June 2022	30 June 2021
Revenue	5,391	5,226
Expenses	5,347	5,305
Net profit	44	(79)

B. Cash flows used in discontinued operation

	30 June 2022	30 June 2021
Net cash flow from operating activities	182	(863)
Net cash flow used in investing activities	(317)	(1)
Net cash flow from financing activities	3	266
Net cash flows used in discontinued operation	(132)	(598)

23 Acquisition of subsidiaries

During the year, the Group acquired controlling stake in the following subsidiaries.

	% stake acquired	Place of incorporation	Nature of activities
SQ Topco II LLC	51%	United States	Property asset management Company

Consideration transferred and non-controlling interests

The consideration transferred for the acquisition was in the form of cash and in-kind for the services rendered by the Group. The consideration transferred is generally measured at fair value and the stake held by shareholders other than the Group in the subsidiaries is recognised in the consolidated financial statements under "Non-controlling interests" based on the proportionate share of non-controlling shareholders' in the recognised amounts of the investee's net assets or fair value at the date of acquisition of the investee on a transaction by transaction basis based on the accounting policy choice of the Group. Where consideration includes contingent consideration payable in future based on performance and service obligations of continuing employees, these are accounted under IFRS 2 – *Share based payments*.

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23 *Acquisition of subsidiaries (continued)*

Identifiable assets acquired and liabilities assumed

Entity acquired was considered as a business. The fair value of assets, liabilities, equity interests have been reported on a provisional basis. If new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting are required to be done on a retrospective basis.

The reported amounts below represent the adjusted acquisition carrying values of the acquired entities at the date of acquisition reported on a provisional basis as permitted by accounting standards.

	Total
Receivables	337
Cash and bank balances	407
Total assets	744
Accruals and other liabilities	2
Total liabilities	2
Total net identifiable assets and liabilities (A)	742
	Total
Consideration	5,125
Non-controlling interests recognised	363
Total consideration (B)	5,488
Intangibles recognised (A-B)	(4,746)

For the purpose of consolidated statement of cash flows, net cash acquired on business combination is given below:

	Total
Cash and bank balances acquired as part of business combination	407
Less: Cash consideration	(5,125)
Net cash flows from acquisition of subsidiaries	(4,718)

The Group has also acquired assets under management of USD 1,196 thousand along with the above acquisition. Income for the first six months assuming the transaction was done at the beginning of the year would have been USD 802 thousand.