Regional Success

Global Fortunes

Annual & ESG Reports

His Majesty
King Hamad bin Isa Al Khalifa

The King of the
Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

Crown Prince, Deputy Supreme
Commander and Prime Minister
of the Kingdom of Bahrain

In 1999, GFH was founded in the Kingdom of Bahrain and has grown steadily and strategically ever since.

The first overseas office in Dubai helped the firm address the needs of its clientele in the UAE.

Throughout 2022, GFH has been adding to its geographic footprint as its needs have grown. Our well established market positions are now supported by on-the-ground staff in prime office locations in our strategically important capital cities in both Saudi Arabia and the United Kingdom.

GFH Financial Group Headquarters
Bahrain Financial Harbour.
Manama. Bahrain

Dubai Office
401 Level 4, Precinct Building 3, Dubai International Financial Centre, Gate District. Dubai, United Arab Emirates.

Saudi Office
Floor 22. Kingdom Tower.
King Fahad Road, Riyadh,
Kingdom of Saudi Arabia.

UK Office
73-77 Brook Street, Mayfair
London. England.
United Kingdom

01

GFH Financial Group
A Summary Profile

Across our most notable parameters, GFH's performance throughout 2022 has built upon the positive post-pandemic trend.

Section 01
26 Pages of 256 representing
10.15% of the report's content

GFH is headquartered in the Harbour Towers in the Group's iconic Bahrain Harbour project, a new urban development transforming the centre of Manama, the capital of the Kingdom of Bahrain

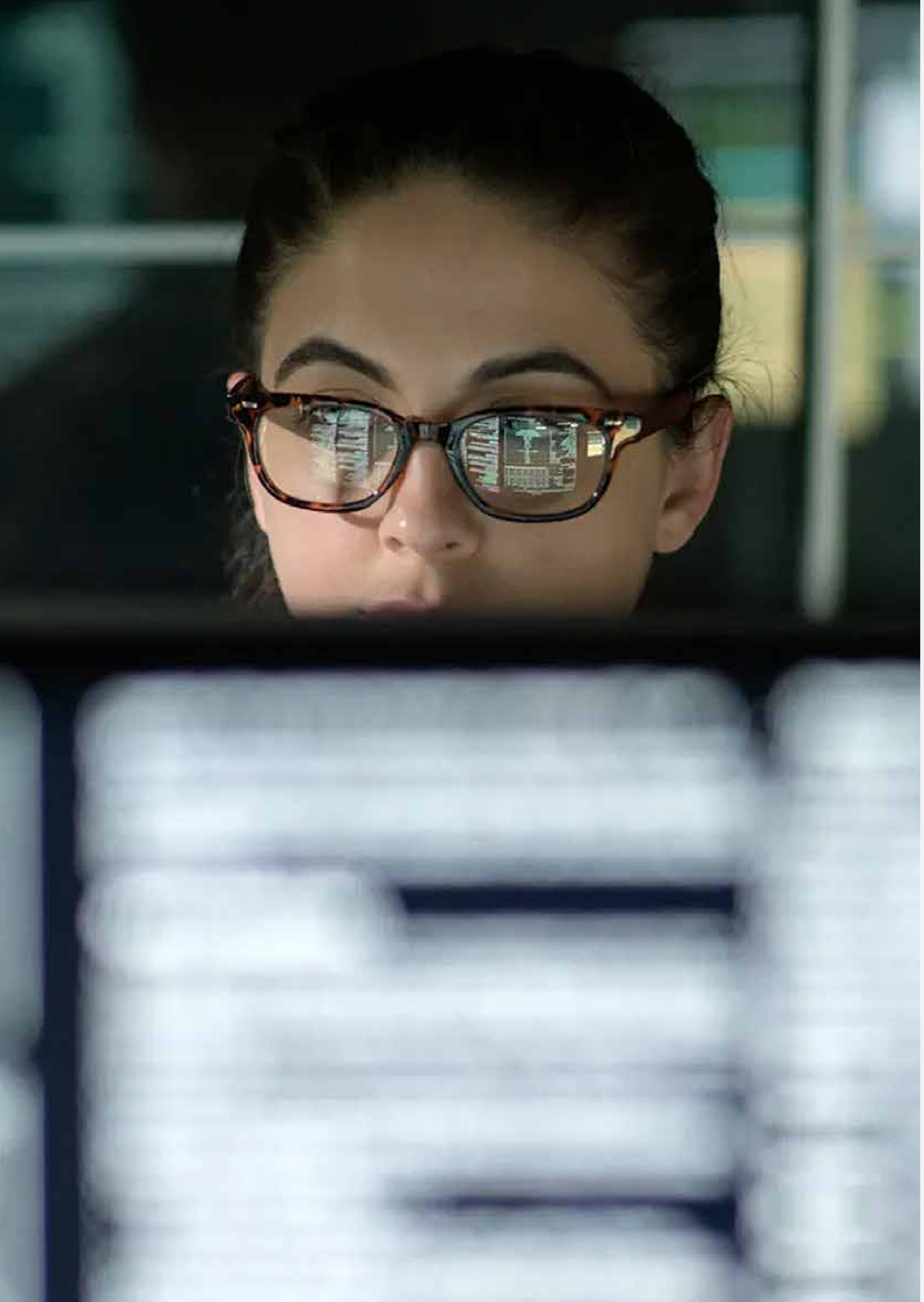
A regional leader in financial services, GFH is expanding globally. The Group pursues a diversified asset allocation strategy to adapt to the multitude of challenges in an ever-changing macro economic environment whilst working closely with our stakeholders to meet their expectations.

Corporate Profile

17.6

US$ bn

Since the Group's inception in 1999, GFH has raised over US$17.6 bn assets and funds under management



GFH is a well renowned financial group in the GCC region, with a diversified offering and pioneering track record. Headquartered in Bahrain, GFH's innovative approach to Islamic investment banking services has been recognized internationally for over a decade. GFH has developed a strong and consistent ability to identify, successfully bring to market and capitalize on a wide range of solid investment opportunities in some of the world's most dynamic markets and sectors. This approach signifies the Group's investment insights and commitment to increase the value of its assets, and financial returns to its investors and shareholders.

Since the Group's inception in 1999, GFH has raised over US$17.6 bn assets and funds under management from its strong client base in four main activity areas:

- Investment Management
- Asset Management
- Commercial Banking
- Treasury & Proprietary Investments

GFH is listed on four stock exchanges in the GCC, including the Bahrain Bourse, Boursa Kuwait, Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) where it is one of the most liquid and actively traded stocks. GFH's operations are principally focused across the GCC, North Africa and India, along with strategic investments in the U.S., Europe and U.K.

Diversification
As part of GFH's vision, the Group adopts a dynamic, entrepreneurial investment approach underpinned by solid professional credentials. Furthermore, the Group pursues a diversified asset allocation strategy to adapt to the multitude of challenges in an ever changing macro environment whilst working closely with our stakeholders to realistically meet expectations. In terms of asset class diversification, GFH has participated in and brought privileged access to unique private equity investments in wide-ranging sectors such as real estate, hospitality, retail, healthcare, industrial, education, and technology. Geographically, GFH initially had an investment focus on the Middle East, North Africa and India, but in recent years the Group has further diversified its holdings across the U.S., Europe and U.K. to take advantage of emerging opportunities in these markets.

GFH Financial Group
Achievements & Recognition

GFH is proud of its recognition as a leader in the Middle East's financial sector. The Group has won a wealth of accolades over the last 17 years from a number of the industry's most highly rated international awards schemes as well as praise from notable international bodies.

2006 - 2015

9 Years / 7 Awards
0.7 Awards Per Year

2006
- Best Investment Bank — Euromoney
- Deal of the Year — Banker Middle East

2012
- Best Islamic Investment Bank (Bahrain) — Capital Finance International (CFI.)

2014
- Fastest Growing Bank (Bahrain) — CPI Financial
- Best Wealth Management Firm — Banker Middle East

2015
- Best Investment Bank (Middle East) — Islamic Business & Finance
- Best Wealth Management Firm — CPI Financial Bankers Middle East

2016 - 2018

4 Years / 7 Awards
1.75 Awards Per Year
(150% Increase)

2016
- Best Islamic Financial Group — Global Brands Magazine
- Best Investment Bank — Middle East Industry

2017
- Fastest Growing Bank (Middle East) — Banker Middle East
- Best Investment Bank (Middle East) — Banker Middle East

2018
- Best Investment Bank — Islamic Business & EMEA Finance
- Best Islamic Investment Bank — WIBC Performance

2019
- Best Investment Management Services — Banker Middle East

2020 - 2021

2 Years / 8 Awards
4 Awards Per Year
(128% Increase)

2020
- Best Private Bank; Best Investment Management Firm — MEA Finance
- Best Investment Bank (Middle East) — International Business Magazine
- Most Innovative Diversified Investment Portfolio — Global Business Outlook

2021
- Best Sukuk Deal of the Year; Best Investment Bank – Islamic — MEA Finance
- Best Corporate & Investment Bank Middle East — Asiamoney (a division of Euromoney)
- 10th - Middle East's 30 Biggest Asset Managers — Forbes Magazine

2022

1 Years / 11 Awards
11 Awards Per Year
(175% Increase)

- Best Private Bank; Best Investment Management Firm — MEA Finance
- Best Investment Bank (Middle East) — International Business Magazine
- Most Innovative Diversified Investment Portfolio — Global Business Outlook
- Best Investment Bank; Investment Banking Market Leader — Euromoney International
- Top 30 Asset Management Companies in ME — Forbes
- Best Investments Management; Best Real Estate Investment Firm — MEA Finance
- Bahrain's Best Investment Bank — International Banker
- Best Islamic Investment Bank — Global Islamic Finance (GIFA)

Our brand vision is our north star, our focus point which has enabled our business to stay aligned to our purpose regardless of any macro-economic conditions.

GFH's brand vision: To realise value potential

The trend for delivering exclusive services continues with the May launch of our mobile investor app, "GFH Mobile".

The app is a one-stop shop for all your portfolio management needs, including 24/7 access to portfolios and subscriptions, as well as the ability to track progress reports, update key documents, and gain early access to our latest investment opportunities.

Our app is available for investors on Apple and Android via their app stores.

Download from App Store

Download from Google Play

Our Commitment to Progress

Education

Healthcare

Real Estate

Logistics

Technology

Infrastructure

Commercial Banking

Our dynamic diversification strategy ensured we captured emerging global opportunities within sectors with solid fundamentals such as education, technology, healthcare, real estate and beyond – while growing our infrastructure and commercial banking business lines.

Our Diversified Portfolio

We continue to generate strong investor and shareholder returns while making a tangible impact on the communities we are present in.

Through our investments in education and our educational platform Britus Education, we strive to provide the region's booming middle class with access to an affordable premium education, preparing today's learners to become tomorrow's leaders. Globally, our investments in education cater to different industries and education levels, from a co-investment alongside Schroders Capital in a global healthcare education platform to investments in US student housing in Tier 1 Public Universities.

Education

Britus Education plans to reposition its education assets from mid-market schools towards premium segments by quality enhancement strategies backed by a robust operational approach to value creation.

Britus Education - Platform Pillars

Markets

1. Primary (Mid-market)
2. Secondary (Upper-mid)

Geographic Footprint

- Saudi Arabia
- Kuwait
- Oman
- Bahrain
- Egypt
- Morocco
- Tunisia
- UAE

Roll-out Strategy

1. Acquisitions
2. Greenfield
3. School expansions

University of Technology Bahrain (UTB)

The University as a top priority continues to work towards improving the academic quality with introduction of new projects, university affiliations, in addition to system upgrades and campus renovations

New Academic Programs

In June 2022, UTB received HEC approval for introducing the following 5 new academic programs:

- Environmental Engineering
- Accounting and Finance
- Information Technology Data Analytics and Artificial Intelligence
- Information Technology Cybersecurity and Networking
- Information Technology Application Development

Saudi Accreditation

In December 2022, UTB received the accreditation from the Saudi Ministry of Education, thereby expanding opportunities for Saudi students to pursue higher education in Bahrain. With this recognition, UTB shall focus its marketing efforts in KSA in order to progress in achieving its target enrollments.

Campus Development & Facility Improvements

In line with our aim to create an ideal study environment, atmosphere and community for students and teachers. UTB continues to progress with its campus renovation whereby it has successfully completed the construction works for development of Phase (1.A), which includes the sports facilities, cafeteria, coffee shop, main entrance and 39 faculty offices around the atrium.

GFH has been one of the active private equity players in the GCC education sector with a track record of delivering profitable exits and consolidating valuable partnerships in the sector. As part of GFH's investment strategy to create further value for its investors and shareholders and create positive impact on the quality of global education assets, it created a diversified platform of affordably premium, high growth schools across leading education markets in the GCC and North Africa in 2019, and is seeking to increase the presence and acquisitions in the platform.

Private education is a global industry worth over USD 1 tn and GFH has lead the way in helping investors capitalize on this industry's growth via structured investments that can take advantage of key market opportunities. Britus Education focuses on diversification of (i) geographies, (ii) curricula, (iii) fee brackets and (iv) type (greenfield, ramp-up and mature education assets).

GFH's value creation strategy for Britus Education focuses on four key elements: competitive acquisitions, multi-strand value-add, a targeted improvement of EBITDA, and integration of assets across a global platform.

A unique education platform focused on high growth markets in the GCC and North Africa

4 Point Value Creation Strategy

Acquire Assets

GFH will acquire and takeover individual school companies with an EBITDA multiple of between 8-10x. For scaled or highly profitable educational assets, GFH seeks to acquire such businesses with an EBITDA multiple between 10-12x.

1

Add Value

From operational experience, we 'modernise' & 'professionalise' acquisitions, inputting new staff and systems (curriculum, finance, HR, management systems, parent portals, marketing & social media), as well as facility upgrades.

2

Rally the KPIs

GFH aims to achieve a twofold increase in EBITDA within the next 3 to 5 years by implementing operational improvements, raising school fees, and achieving efficiency gains. Additionally, it plans to expand its capacity to accommodate more students.

3

Integrate then Realize Value

GFH's plan involves integrating its educational platform fully and then preparing it for value realization through various means such as an Initial Public Offering (IPO), trade sales, or a Rights Issue.

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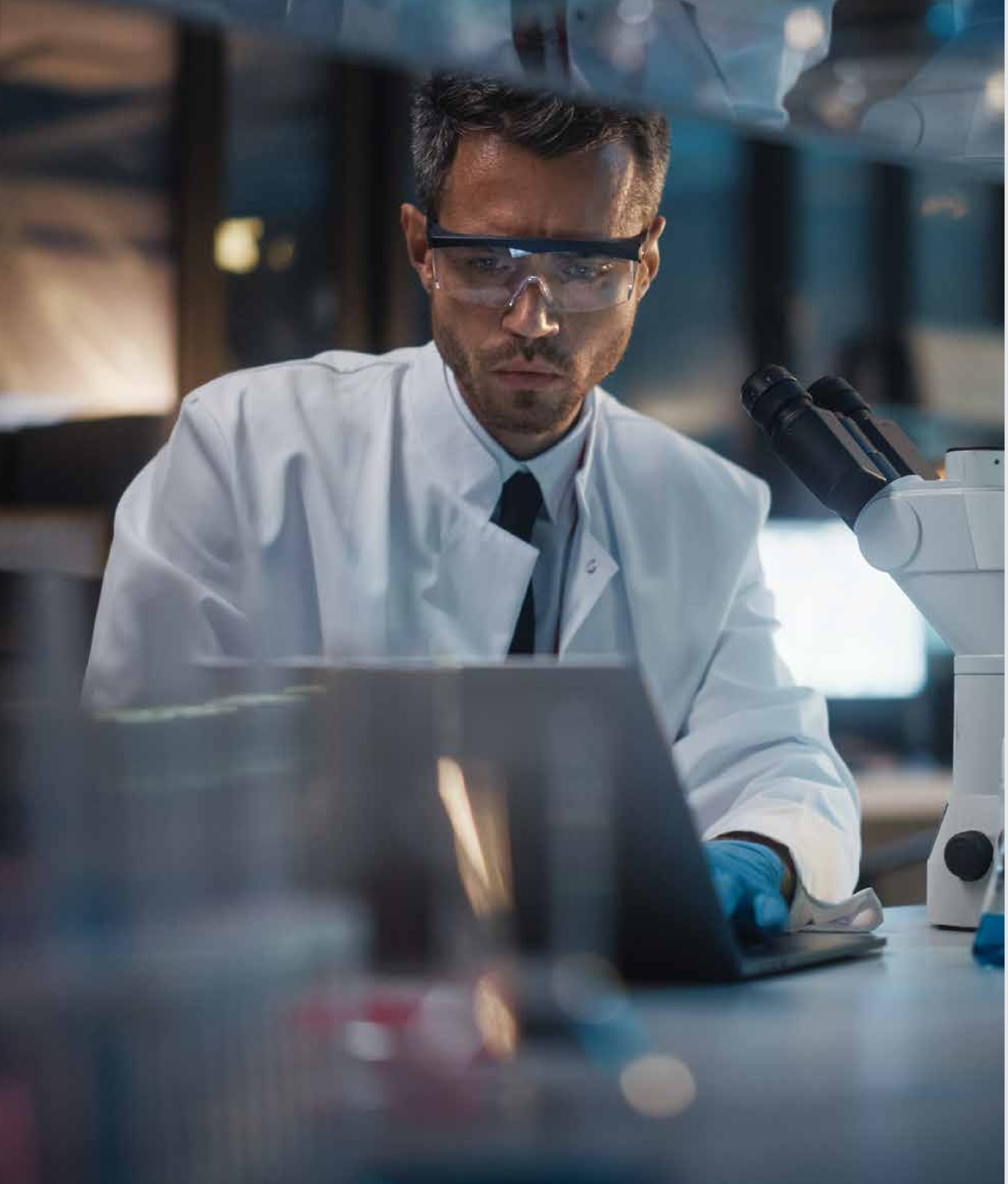


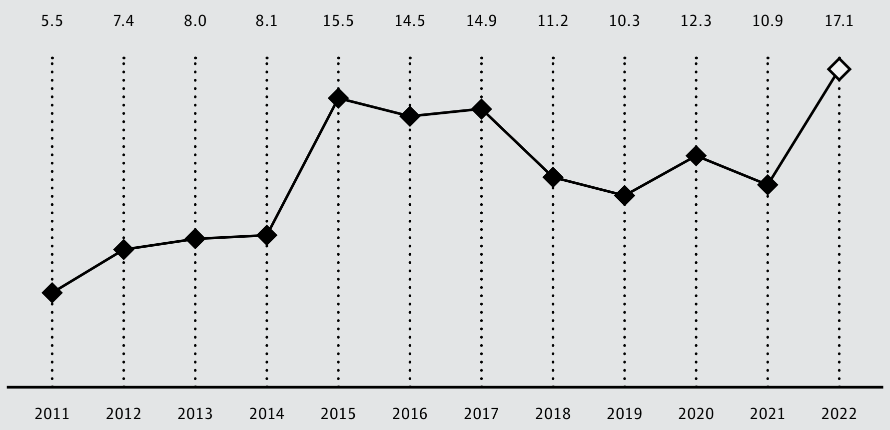
Our healthcare investments are underpinned by a commitment to provide quality, affordable care in underserved, high-growth markets, while delivering value to both end users and our investors. In addition to investing in integrated providers that offer healthcare across the value chain, from preventative through to tertiary care, we also invest in medical office buildings that serve markets with positive demographic tailwinds.

Healthcare

Healthcare Spending

US healthcare spending clocks in at nearly US$ 4 tn, with hospital care, physician services, and prescription drugs accounting for 60% of that total. Healthcare costs continue to outgrow the broader economy, which has pushed up its share of GDP to roughly 18% vs. 10-12% in most other developed countries.

Total Allocated Equity ($bn)



Global healthcare spending per capita

Health spending per capita by country US$

Healian, Redefining Healthcare Investment

A prime example of GFH's unwavering commitment to delivering exceptional healthcare services across the Middle East and Africa, our Healian healthcare impact platform is uniquely created to deliver high-quality, cost-effective care in underserved, high-growth markets. Healian stands out for its comprehensive approach as an end-to-end provider along every stage of patient care delivery, spanning from preventive care to tertiary treatment. The platform strategically targets assets in key growth regions like the KSA, UAE, Egypt, Tunisia and Morocco – bolstering value creation while minimizing risks associated with market fluctuations. It boasts an impressive pipeline of actionable acquisition opportunities, a thorough focus on maximizing value during the hold period, as well as a clear exit strategy.

As demographic tailwinds continue to prove the need for private healthcare players, Healian has a key focus on clinical excellence and sustainability, improving healthcare outcomes while providing affordable care across the care delivery spectrum in the MEA region.

Targeting the resilient Medical Offices Buildings Sector (MOB), our healthcare portfolio continues to benefit from long-term sector fundamentals. MOBs in the US have generally performed well in recent years, with relatively strong occupancy rates and rent growth compared to commercial office buildings.

GFH targets the Sunbelt region of the United States, which is experiencing significant growth in the healthcare industry. As a result, there is a growing demand for medical office buildings in this region. Investing in medical office buildings in the Sunbelt region can be a lucrative opportunity for real estate investors. The region's growing population, aging demographics, and strong healthcare industry make it a prime location for medical office buildings. Additionally, many medical practices are seeking to consolidate their operations into larger, credit rated health systems, which creates further demand for these types of properties. The below represent key fundamentals of the sector:

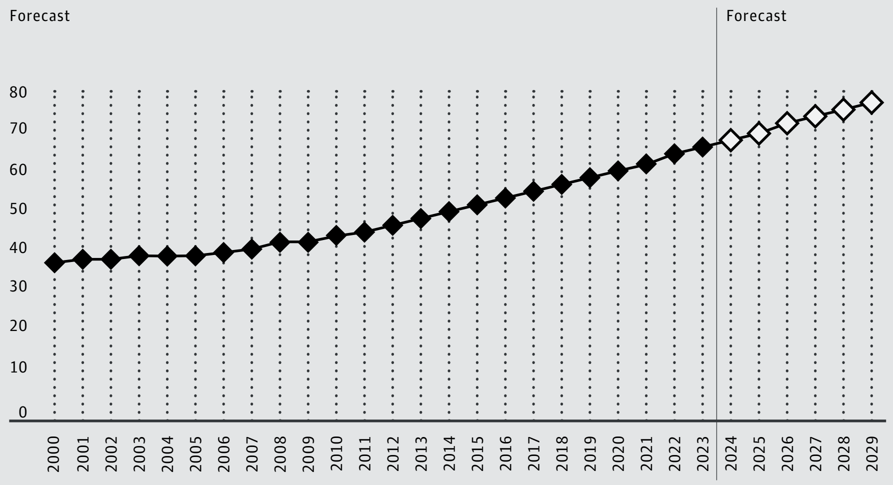
"Graying" of America- US Ageing Population

In 2030, the US Census projects that the US will reach a demographic turning point. Beginning that year, all baby boomers will be older than 65, or roughly one in every five Americans. By 2060 that ratio will be closer to one in every four as the 65-and-older population is projected to increase by 38.6 mn over the next 40 years, reaching 94.7 mn in 2060. For comparison, the under-18 population will reach 80.1 mn by 2060, growing by only 6.1 mn. This means that by 2034 older adults will outnumber children for the first time in history. The US has been witnessing a migratory shift to the southern, Sunbelt states for several years, driving the demand for healthcare services in certain states.

Over the last several decades, life expectancy rates have steadily risen due to behavioral and social modifications and healthcare advancements. As a result, the number of people 85-and-older is projected to increase by more than 75% between 2020 and 2035, from 6.7 mn to 11.8 mn, and will eclipse 19 mn by 2060. With the aging of America, the demand for healthcare will surge. America's graying will create a significant strain on the healthcare industry over the next several decades.

Life expectancy rates have steadily risen due to social modifications and healthcare advancements.

U.S. Population 65+ is Rising.



Source: CoStar

Resilient sector opportunities are fully aligned with investor demand. Our award-winning real estate investment team pursues and offers real estate opportunities that are diversified across sectors with proven long-term fundamentals while ensuring alignment with investor demand. Further, our growing strategic partnerships with well-reputed global asset managers have allowed us to introduce unique and attractive products to our investors with strong return potential.

Real Estate

Geographical expansion and collaboration with global market players

In addition to strategic acquisitions, the GFH asset management platform enhanced its depth by geographical expansion as Roebuck Asset Management ("Roebuck"), its majority owned UK-based logistics asset manager, expanded its European footprint with the opening of an office in Spain.

Furthermore, Roebuck has been collaborating with global players which reflected on Roebuck and the real estate business of Intermediate Capital Group (ICG), forming a Joint Venture (JV) to aggregate an urban logistics / last mile portfolio across Spain.

Medical Clinics Fundamentals

(01)

Population growth & average age increase

–

(02)

Increased healthcare expenditure

–

(03)

Increasing demand for off-campus healthcare services

–

Student Housing Fundamentals

(01)

Population growth & increasing enrollment across universities

–

(02)

Increasing demand for purpose-built student housing

–

(03)

Unique location of assets with scarce comparable supply

–

Defensive investments play a crucial role in protecting portfolios during market turbulence. In 2022, the real estate industry is moving beyond cyclical headwinds and is becoming an attractive alternative investment option. This is particularly true for risk-averse investors who seek to diversify their portfolios and balance stock market declines. In this context, the diversification benefits of direct and indirect real estate investments are well known, and infrastructure has become a focus of attention for institutional and private investors alike.

Strategic investments in leading asset managers to support GFH's thematic investment approach in resilient sectors

Asset Acquisitions

Diversified US Student Housing Portfolio
To capitalize on the resiliency of the sector, GFH launched its second student housing portfolio, Diversified US Student Housing Portfolio II, an income yielding portfolio comprising five underlying assets located in Texas, Michigan Missouri in the United States and comprising 2,113 beds with an average 97% occupancy located in close proximity to major public universities.

US Medical Clinics Portfolio II
To reiterate the confidence in the sector supported by the aging of US population and increased spending on healthcare services, GFH launched its second healthcare portfolio, US Medical Clinics Portfolio II Portfolio comprising eleven income-yielding medical office/clinics properties located in four states in the US. The portfolio is anchored by investment-grade credit tenancy through Baylor Scott & White, Texas A&M Health Science Center and Texas Tech University.

Asset Managers Acquisition

Big Sky Asset Management
In January 2023, the Group acquired a majority stake in Big Sky Asset Management ("Big Sky"), a US-based real estate asset manager focused on the attractive and defensive healthcare segment. The founders of Big Sky bring more than 20 years of experience in investing and managing healthcare assets in the US, with more than US$2 bn in cumulative transaction value and over 130 medical facilities surpassing 7 mn sq. ft. across 24 states.

Student Quarters
In May 2022, the Group acquired a majority stake in Student Quarters, a US-based specialist living sector asset manager and property manager focused on student housing, with a demonstrated track record of value generation and execution. Student Quarters currently has US$1.1 bn in AUM, comprised of 34 properties with more than 11,000 beds under management.

GFH has been leveraging third-party logistics and experiencing exceptional growth within this sector. Logistics facilities saw record-low vacancies, unprecedented rent growth and significant new construction, leading to greater returns for our investors.

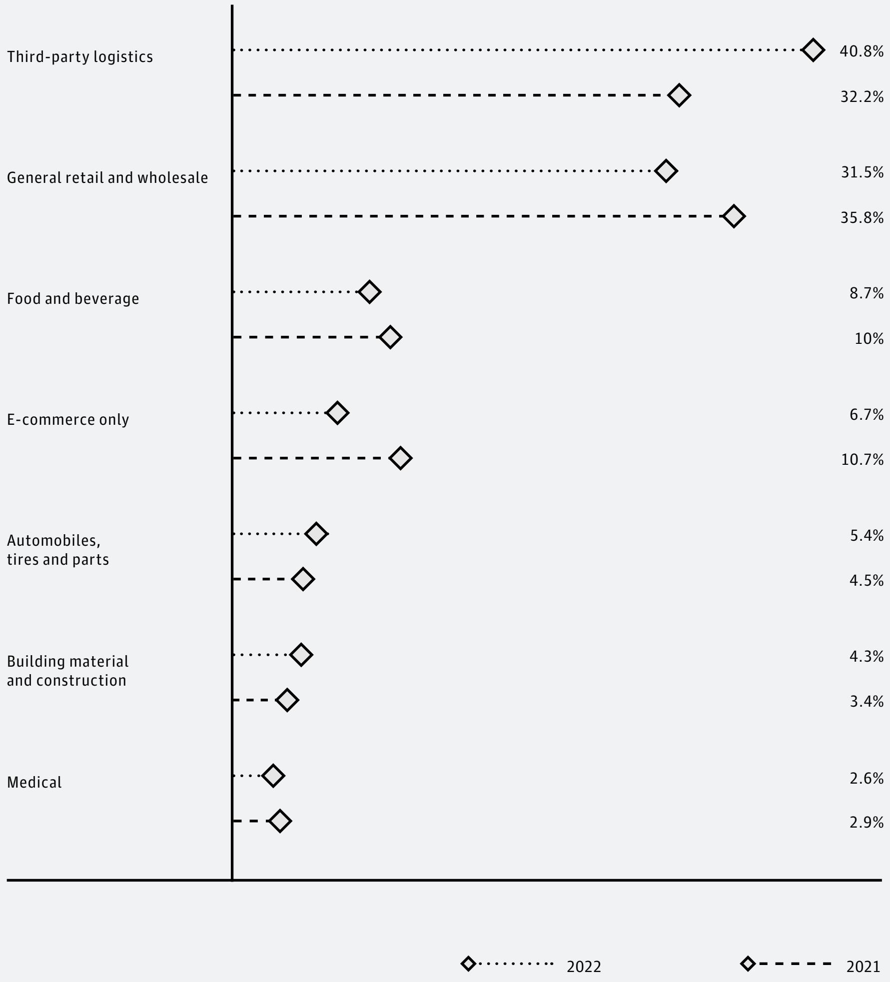
Logistics

In 2022, despite widespread macroeconomic concerns, US industrial facilities saw record-low vacancy, unprecedented rent growth and significant new construction. Serving growing populations, modernizing space for automation and increasing supply chain resilience largely drove occupier demand. The direct vacancy rate was 3.3% at year end, matching 2021's record low, which had the effect of driving up first-year base rents by around 23% year-over-year. During this period, 272.7 mn sq. ft. of construction was completed. A record 455 mn sq. ft. is under construction, with 25.3% pre-leased.

Companies began relying more on third-party logistics (3PLs) to mitigate pandemic-related disruptions and demand swings. For the first year on record 3PLs providers in 2022 leased more warehouse space in North America than any other sector. 3PLs accounted for 41% of all lease transactions at traditional warehouses and distribution centers with at least 200,000 square feet in 2022. Retailers and wholesalers, the previous leader, came in second at 31.5% of leasing share. Growing demand for 3PL services contributed to a strong year for logistics leasing activity overall. Direct vacancy rates matched 2021's record low of 3.3%, driving a 23% jump in first-year base rents YoY.

3PL Industrial Leasing Activity Leapfrogs Retail, Wholesale

Share of new leases and renewals in North America with at least 200,000 square feet, by occupier type



In 2022, Third Party Logistics firms (3PLs) have surpassed retailers in big warehouse leases and logistics market fundamentals are anticipated to stay healthy. The new projects that are expected to be completed this year are already heavily pre-leased, and vacancy rates are at historically low levels. The market is still regarded as being undersupplied with enough interest in the new products.

Trends in technology and e-commerce have changed customers behaviors especially during the pandemic, making it more important than ever to deliver goods and services to customers faster and more efficiently. Online order fulfillment requires more than three times the logistics space of brick and mortar. The forecasted share shift to online retail alone should drive the need for an incremental 125 mn sq. ft. of logistics space or more per year through 2025 in the US and Europe alone.

Reshoring weaknesses in the global supply chain is continuing to cause suppliers to utilize higher days-on-hand inventories requiring additional logistics real estate. Long lead times and trade bottlenecks, prevent goods from getting to end consumers as quickly as they are needed. The shift from just in time to just in case supply chain could create more than 57/114 mn sq. ft. of additional logistics demand per year over the next five years without accounting for a rise in sales.

Significant barriers to new supply such as geographic, economic and political are causing further pressure on supply to keep up with demand for logistics real estate. Over 440 mn sq. ft. was delivered in 2022 and would not suffice the growing demand for space, with vacancy rates expected to remain below 4%.

Building requirements and costs are increasing
Driven by the rise of e-commerce, the need to be close to end consumers has become mission-critical and should continue to intensify going forward. As delivery times decrease, companies must reach consumers via shorter distances, necessitating built-out networks even within a single metropolitan area, thereby opening up new locations for this purpose. For logistics users, labor scarcity is worsening for three reasons. First, e-fulfillment is expanding, which uses roughly 3x the labor of traditional warehouse operations, with turnover rates around 4x that of other uses. Second, complex warehouse functions and technologies require more skilled labor; for example, engineers for automated warehouse solutions. Finally, densely populated submarkets that offer deep and skilled labor pools generally have scarce land availability for logistics use. With land more available in less densely populated areas, clustering of logistics facilities can exhaust the supply of labor and limit the feasibility of further new supply. Increased requirements including ESG will significantly impact the cost.

41

Percent

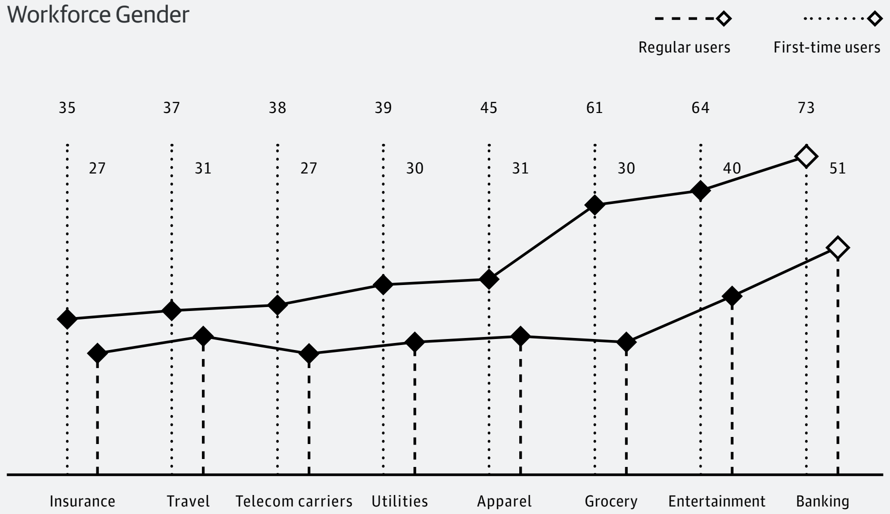
3PLs accounted for 41% of leasing market share during 202.

Technology is a cornerstone of our investment strategy, and we actively seek global technology investment opportunities in companies that go beyond keeping with the trend and instead are on the vanguard of setting it. Our portfolio of 25+ technology investments comprise of high-growth, late-stage market leaders and emerging leaders that specialize in delivering next-gen technologies within some of the most disruptive and fast-growing tech verticals.

Technology

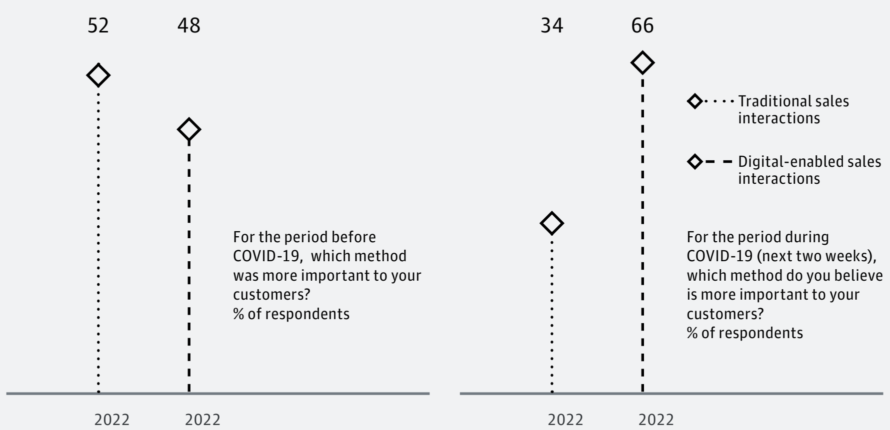
Digital transformation and migration to tech has been accelerated by the pandemic and this trend will continue during and post recovery:

Workforce Gender



Consumers and businesses are accelerating adoption of digital, a trend seen across global regions

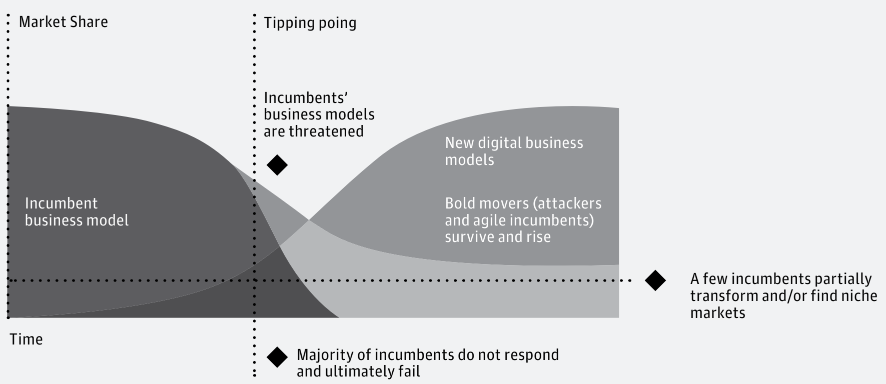
Digital interactions are twice as important



Source: McKinsey B2B Decision Maker Pulse Survey, April 7, 2020 (n = 3,619)

Traditional sales interaction methods pre-Covid-19 are transforming to digital. Digital interactions are now twice the traditional sales interactions.

Disruption is always dangerous, but digital disruption is happening faster than ever



Source: McKinsey

8

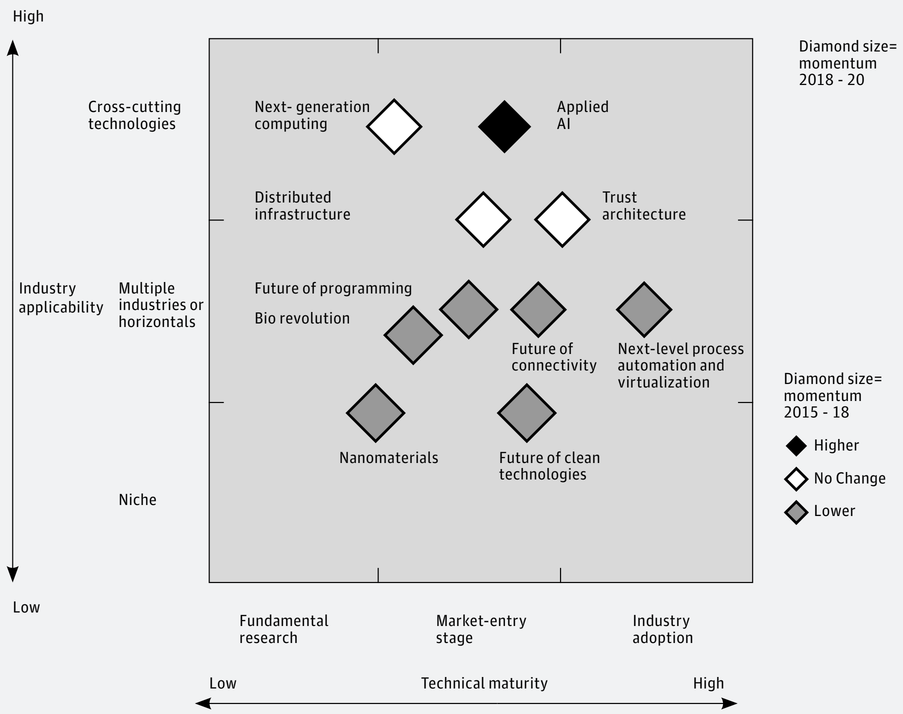
Percent

of companies believe their business model will remain economically viable through digitization

Investments in technology have become increasingly popular in recent years, as businesses and individuals alike recognize the potential for high returns and significant growth opportunities. With advancements in areas such as artificial intelligence, cloud computing, and the internet of things, technology has become an integral part of our daily lives. Investing in technology not only provides the opportunity for financial gains, but also contributes to the development and innovation of new products and services that can benefit society as a whole.

The tech sector has proven to be more resilient over recent years, yielding positive returns, including over the Covid-19 period

McKinsey tech trends index



GFH has been developing sustainable infrastructure solutions in support of its diversification strategy. As a core component of this was the establishment in 2022 of Infracorp, a subsidiary aiming to deliver cutting-edge sustainable infrastructure projects and developments across and beyond the MENA region. Such opportunities have been carefully curated, created and pursued to combine both shareholder return generation with wide-scale social investment and progress.

Infrastructure

The development platform is primarily focused on three pillars, real estate development, social infrastructure development and ESG development initiatives.

Construction

The global construction market size was expected to grow from $13.57 tn in 2021 to $15.17 tn in 2022 at a compound annual growth rate (CAGR) of 11.8%. The growth in the construction market is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The construction market is expected to reach $22.87 tn in 2026 at a CAGR of 10.8%

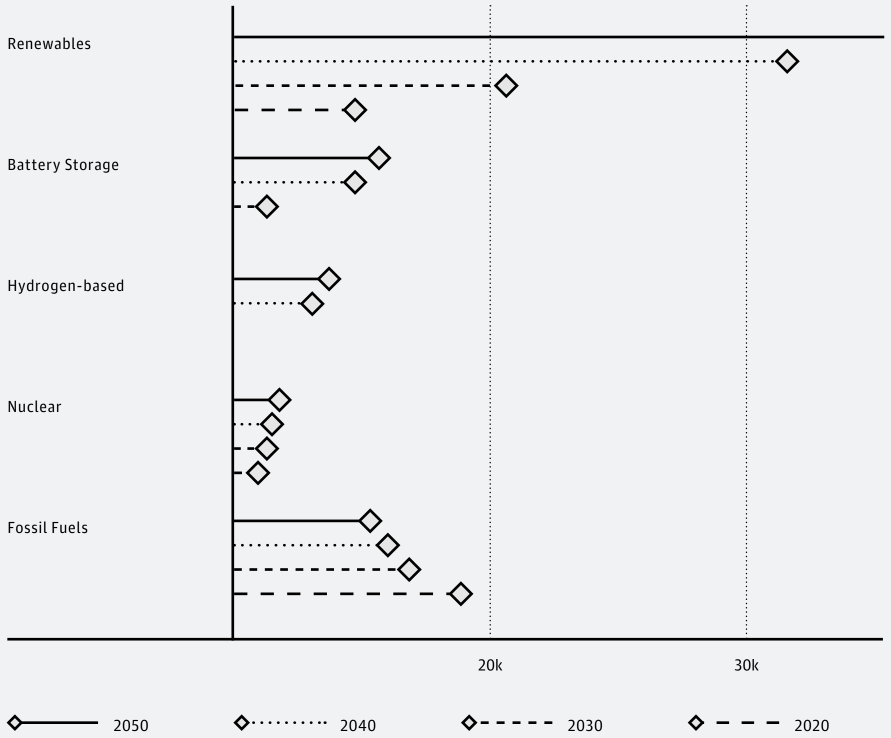
Mixed-use developments

We develop distinguished mixed-use commercial and lifestyle destinations that provide a platform for local and regional entrepreneurs and international brands, and deliver state-of-the-art services and lifestyle amenities and facilities to the communities. Infracorp was established in January 2022 to bring sustainable social infrastructure development products to investors around the world, generating long-term returns and adding lasting value to communities. Eventually managing a portfolio of around $3 bn of assets, Infracorp aims to accelerate the growth of sustainable infrastructure development across MENA and South Asia regions.

Infrastructure development

Infrastructure is crucially important to foster countries' economic development and prosperity. Investments in infrastructure contribute to higher productivity and growth, facilitate trade and connectivity, and promote economic inclusion. As global infrastructure demand is high, it has been reported that from 2016 to 2030, there will be a need to invest on average USD3.3 tn annually to keep pace with projected growth. Of which, 60% is accounted for by developing countries. As the population of developing countries keeps growing, it is imperative to have high-quality infrastructure that is sustainable, increases business activities, creates new employment, narrows income disparities and empowers gender participation. Quality Infrastructure is at the heart of the Sustainable Development Goals as it supports inclusive growth and enhances access to all. Infrastructure development is known to be a key driver for progress and a critical enabler for productivity and sustainable economic growth. It contributes significantly to human development and poverty reduction. Social infrastructure is largely related to various services for community, facilities, public spaces, relationships, and networks among local community members. It is therefore obvious that social infrastructure is recognized as an important factor for creating better opportunities of both integration and participation in society. Government and public policy support for infrastructure investment is likely to remain strong globally, especially where it relates to the replacement of aged infrastructure assets, the buildout of renewables to help decarbonise electricity generation, and the globalisation of natural gas markets.

Renewables will continue to displace fossil fuel generation to achieve net-zero



Infrastructure is crucially important to foster countries' economic development and prosperity

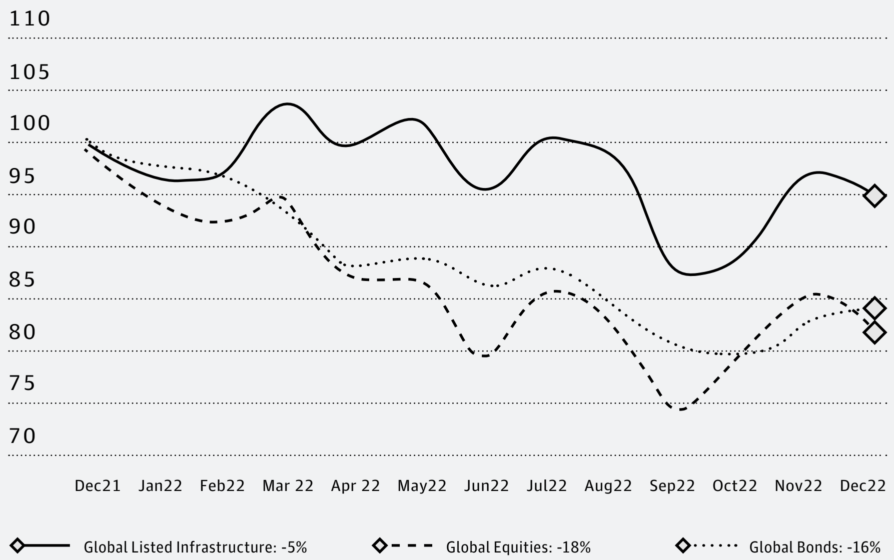
Private sector funding of new infrastructure investment is expected to remain strong in 2023, although rising interest rates will likely see M&A activity slow. A robust pipeline of capital investment opportunities for the vast majority of global listed infrastructure companies for the year ahead is likely.

Energy Security

The recent theme that is playing a major role in construction is energy security decarbonization and reaching Net Zero emissions with majority of Governments moving towards it. The COP26 conference took place in November 2021, and focused on the backdrop of a global energy crisis leading several countries to adopt initiatives for more efficient and clean operations. During the past years, wholesale gas prices had risen up to 4 times as a result of post-COVID-19 demand in Asia, low European inventories, and restricted supplies. Low wind resource in the North Sea exasperated this crisis in Europe, where monthly average electricity prices increased up to 3 times. Therefore across energy infrastructure, renewables remain attractive, although some new projects are facing supply chain constraints. Energy storage will also become an increasingly important piece of the energy transition dilemma and new opportunities will continue to emerge as the sector matures. Investors will also start looking into other technologies such as carbon capture and storage (CCS) or hydrogen, which have the potential to decarbonize not just the electricity sector, but also the transportation and industrial sectors. Global listed infrastructure companies outperformed both global equities and bonds in 2022. It is believed that the financial and economic factors contributing to this outperformance may remain in play in 2023.

Infrastructure companies could outperform broader equities and fixed income markets in periods of slowing economic growth and higher inflation, given they tend to provide essential services, have strong pricing power and often high barriers to entry and predictable cash flows.

Global Infrastructure, Equities & Bonds Performance



FTSE Global Core Infrastructure 5050 Indes, Net TR, USD MSCI World Index, Net TR, USD Bloomerag Global Aggregate TR Index Value Unhedged Source: First Sentier Investors, as at 31 December 2022

Sources: PWC report, UBS Asset Management report, First Sentier Investors, The Business Research Company

We are excited about the ambitions of our future-looking, wholly owned Islamic banking subidiary, Khaleeji Commercial Bank (KHCB). This progressive commercial bank strives for excellence in customer experience and is aiming for big new moves in the coming year. Driven by a new and well-defined business strategy, KHCB has been diligently pursuing comprehensive digital transformation alongside the implementation of innovative sector strategies to enhance client satisfaction, while delivering products and services that support increased profitability and income generation.

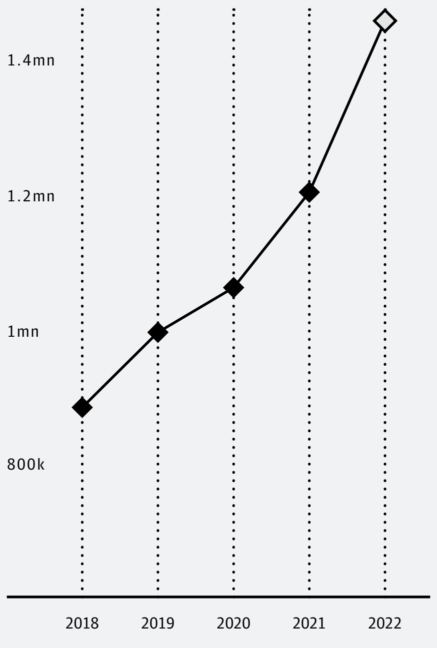
Commercial Banking

We are pleased to announce Khaleeji Commercial Bank's (KHCB) positive financial results in terms of general performance with increased profits and revenues, especially in light of economic transformations that necessitate a steady pace forward and a proactive approach in various aspects of our banking operations. These financial results follow the bank's adherence to its innovative strategy of developing banking activities and accelerating digital transformation, which has enhanced client satisfaction with new and innovative products and services. These financial results reflect the efforts made by the bank to consolidate its leading position in the local market by continuing to develop retail banking services, particularly relative to digital transformation by offering a package of innovative products and services to enhance our valued clients' banking experience.

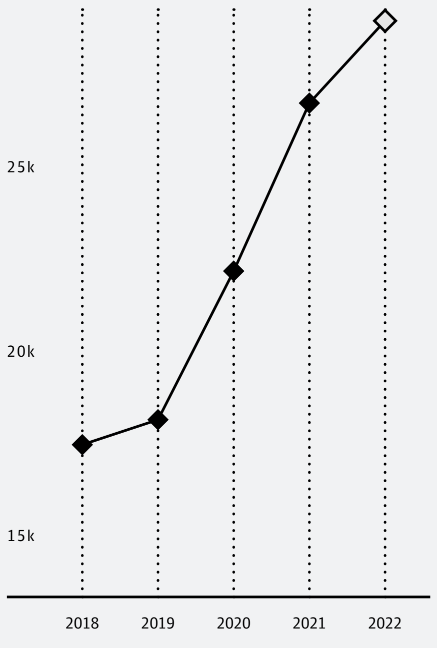
This includes development of the "Khaleeji Mobile App", the launch of self-service kiosks at branches that adopt eGovernment registered fingerprint authentication without the need for ID, and the provision of smart tablets for client service employees to digitally complete transactions quickly and easily. The bank has also worked on a range of retail banking services that offer exceptional privileges such as home finance, deposit offers, the "Al Waffer" investment account, and many other well-received services.

The bank continues to implement the objectives of its strategic plan through expanding its network by opening a new branch in Wadi Al Sail Mall, and revamping its Hidd branch utilising a contemporary design that provides a convenient personal banking experience for individual and corporate clients alike. The bank has also continued to enter into fruitful strategic partnerships with a number of public and private institutions, that enhanced the bank's leading position in the Kingdom of Bahrain's Islamic banking sector, and we will work to maintain this approach in 2023 as we prioritise such partnerships in our business model.

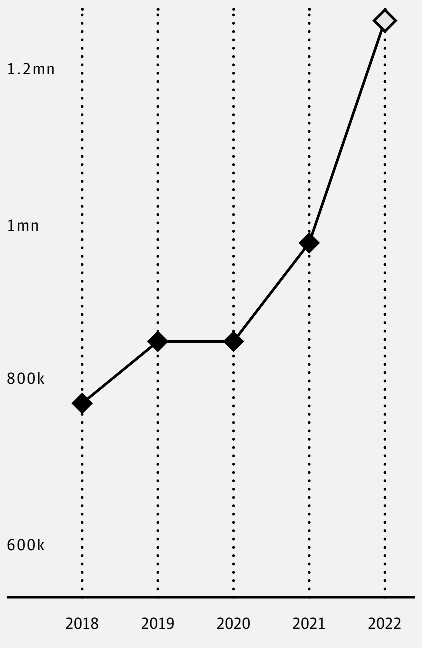
Financial Highlights



Total Assets



Total Income



Total Funding

The bank maintains its leading position as an Islamic bank that offers a comprehensive range of high-quality banking services to individuals and companies.

Post COVID Recovery
Normalisation is expected to see stability returning to industry growth in 2023 and all industries exceeding pre-pandemic market size while consumer facing and hospitality related sectors are likely to see the strongest average growth in the year.

A gradual post-COVID recovery is underway, with the recent doubling of the VAT rate to 10 percent, and high oil prices are mitigating Bahrain's fiscal and external vulnerabilities. Bahrain's recovery was supported by a strong performance in non-hydrocarbon manufacturing as well as by the retail trade and hospitality sectors.

Policy Interest Rates
The US Federal Reserve Board ("Fed") in the year 2022 has implemented a tightening monetary policy by increasing the fed rate by 450 bps in order to overcome the increased inflationary pressure in its economy. KHCB has implemented dynamic benchmark rate strategic and tactical plans in which the higher interest rates environment has created an opportunity to enhance the yield of its financing book while revising its funding cost to better align with its funding and liquidity structure.

ESG
ESG-related shifts are taking place, especially environmental and sustainability drives catalysed by COP26 and COP27. Governments around the world are rapidly evolving laws and regulations to stimulate the adoption of environmental, social and governance (ESG) practices. Banks have a critical role in financing the transition to the low carbon economy, as well as the need to identify and manage climate risks related to business activities.

Digital Transformation
Investment into the integration of technology into industries is expected to pick up in 2023. The banking world has undergone radical transformation in recent decades. New and innovative products and services have helped energise an already dynamic industry, and set the stage for more personalized experiences in customer engagement.

02

Environmental, Social & Governance Report

As this special report section will highlight, GFH's performance throughout 2022 has been on a positive trend.

Section 02
26 Pages of 256 representing
10.15% of the report's content

Environmental
Social
Governance

The trend for ESG is not an ephemeral one, it is part of a wider socio-political transformation happening across the globe. We all must do our part to nurture the wellbeing of the human family. In this report we will highlight the activities GFH has been undertaking to bring about lasting, sustainable change in our business operations, from the wellbeing of staff to the impact investments have on our environment. We are proud of our initial approaches and see the trend expanding further; a trend which is critical to the next era of our group's global expansion.

GFH's ESG Framework rests upon three core principles of Responsibility, Nurturing & Integrity

	01	02	03
Pillar Number	01	02	03
Material Topics	• Responsible Finance • Sustainable Performance • Environmental Management • Community Engagement • Social Responsibility • Sustainable Procurement	• Diversity and Inclusion • Health, Safety and Wellbeing • Talent Attraction and Management	• Governance, Business Ethics and Compliance • Data Privacy • Risk Management • Customer Experience and Relations • Digitalization and Innovation
Bahrain Vision 2030	Bahrain stimulates growth by enhancing productivity and skills Bahraini nationals and residents enjoy a sustainable and attractive living environment A high standard of social assistance gives all Bahrainis an equal start	A predictable, transparent, and fairly enforced regulatory system facilitates economic growth All Bahraini nationals and residents have access to quality healthcare Bahrain stimulates growth by enhancing productivity and skills	A predictable, transparent, and fairly enforced regulatory system facilitates economic growth Bahrain stimulates growth by enhancing productivity and skills A world-class infrastructure links Bahrain to the global economy
Framework Pillar	We Operate Responsibly	We Nurture our Talent	We Act with Integrity

Globally, we are at a crossroads to address environmental and societal issues such as climate change, poverty, and biodiversity loss as we collectively have to act in the next decades to minimise massive potential negative impacts on communities and natural life.

The applied principles of ESG at GFH

At GFH, our inherent conduct to do business implies responsibility for the communities we are part of. Since the day of our inception, we have implemented a range of initiatives related to the environmental, social and governance (ESG) of operations and activities aimed at creating a lasting positive impact. To effectively manage and realise the maximum value we can obtain from these initiatives, we are advancing through to implement formalised ESG policies and frameworks.

This ESG report presents an overview of our approach towards sustainability management, including a snapshot of our revised ESG framework, along with our 2022 sustainability performance. This information presented covers the activities of the GFH Financial Group and its portfolio.

At GFH, we are driven by the vision of discovering, innovating, and realising value potential across our business lines – and we recognize we can only do this by creating value for all of our stakeholders with a robust, sustainable business model. The ESG Framework we built is aligned with GFH's vision, values, and ESG commitments. We aim to integrate sustainability across our day-to-day activities, operations, and investment decisions.

Through rigorous monitoring, responsible investment decisions and continuously improving our sustainability performance, we strive to create sustained positive impact. This will unlock value realisation for us and help reach the brighter future we envision for the future.

ESG issues are a key investment consideration for GFH, and we are increasingly applying these factors as part of the underwriting and investment decision-making processes specifically as they relate to sustainability. We will continue to pursue opportunities in resilient sectors including healthcare, education, technology, and infrastructure with ESG issues as a key consideration. These sectors are better positioned to withstand potential economic uncertainties or downturns, are resilient, and create sustainable value for the future.

06	07	08	11	12	13
Clean Water & Sanitation	Affordable & Clean Energy	Decent Work & Economic Growth	Sustainable Cities & Communities	Responsible Consumption & Production	Climate Change Action

How we Nurture our Workforce

03	05	10
Good Health & Well-being	Gender Equality	Reduced Inequalities

How we Act with Integrity

08	09	16
Decent Work & Economic Growth	Industry, Innovation& Infrastructure	Peace, Justice & Strong Institutions

Contribution to the SDGs
As we expand our horizons to contribute to a more sustainable future, we have taken United Nations Sustainable Development Goals (SDGs) as a guide to our ESG management. To fulfil the ambitions of the SDGs, it is vital that the business world also contributes, and we are fully committed to playing our part. In line with the sectors we operate, we have prioritised the SDGs that we can contribute to.

Aligning with National Priorities
We have aligned the GFH ESG management process with the national vision of Bahrain by incorporating key components of the Bahrain Vision 2030 which outlines a sustainable path for the future. The vision sets out the Kingdom's importance on the global stage while providing insight into its unique challenges, culture, and opportunities.

ESG Framework Pillars & SDG Contribution

Bahrain Vision 2030 Focus Areas & GFH's contributions

Environment

E

GFH is committed to protecting the Environment

Society

S

GFH is dedicated to community & Social development

Governance

G

GFH adopts best practices & good Governance

At GFH, we operate responsibly, and are aware that building a strong and dependable business is linked to ensuring the protection of the environment. In line with our vision, we utilize innovative tools to minimize the environmental impact of our business activities.

Environmental Social Governance

Our work in minimising our environmental impact

Contributing to the economic future of Bahrain, we also recognize our role to positively impact wider society and the environment. GFH's investment decision-making is in accordance with our ambition to transform the daily lives of the communities we belong to, and we aspire to act in a manner that minimizes the detrimental environmental impacts of our operations.

ESG Material Topics
A materiality assessment took place to provide us an understanding of our ESG Material Topics, those topics has been defined in accordance with Bahrain's Vision 2030 and UN SDGs, and in alignment with each of the ESG segment.

The Materiality Assessment Exercise identified the following material topics:

1 Governance, Business Ethics & Compliance
2 Sustainable Performance
3 Social Responsibility
4 Diversity and Inclusion
5 Customer Experience and Relations
6 Environmental Management
7 Talent Attraction and Management
8 Health, Safety and Wellbeing
9 Community Engagement
10 Responsible Finance
11 Risk Management
12 Data Privacy
13 Digitalization and Innovation
14 Sustainable Procurement

We recognize the urgent call for action against climate change issues and the importance of a collective effort to mitigate its effects. One of the approaches is the emphasis on recycling practices and clean wastage as part of the environmental commitments of GFH.

In particular, we are committed to the following practices:

Responsible Finance
We are committed to creating sustainable wealth for our investors by diversifying our portfolio of investments, contributing to the Bahrain Economic Vision 2030. GFH commits to incorporating ESG issues into investment analysis and decision-making processes.

GFH's Business Units are responsible for taking ESG forward and ensuring its implementation across the investment portfolio where possible and practical. The Business Units shall report regular progress updates regarding the implementation of this Policy to the ESG Committee. Business Units shall analyse and set a dialogue on ESG objectives and risks before making a decision, whilst taking into account return on investments.

Sustainable Performance
We pursue a diversified asset allocation strategy to adapt to the multitude of challenges in an ever-changing macro environment whilst working closely with our stakeholders to realistically meet expectations.

We developed a strong and consistent ability to identify, successfully bring to market and capitalize on a wide range of solid investment opportunities in some of the world's most dynamic markets and sectors. This approach signifies the Group's investment insights and commitment to increase the value of its assets, and continue to achieve a solid financial performance that reflects to its investors and shareholders.

Environmental Management
We believe that tackling environmental issues, such as climate change, environmental degradation and pollution should be part of every responsible business' agenda. GFH aspires to act in a manner that minimises the detrimental environmental impacts of its operations.

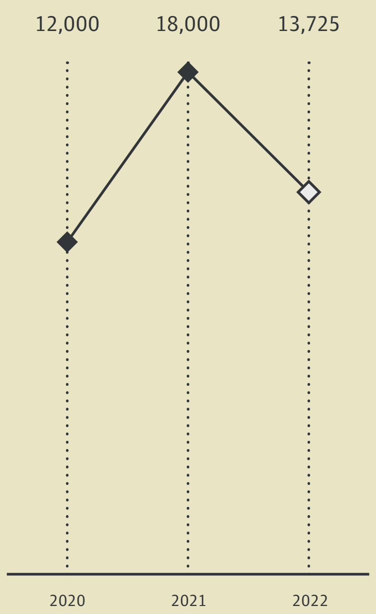
We also take into account the environmental impact of our investments and financing activities, including greenhouse gas emissions, waste management, and resource use, as well as to prioritize investment opportunities in renewable energy, low-carbon transportation, and other sustainable infrastructure projects that contribute to the reduction of greenhouse gas emissions. We will engage with our clients to encourage sustainable business practices and promote the transition to a low-carbon economy.

In-Office Recycling Program:
GFH has partnered with a recycling company to arrange for recycling stations across all office floors to support responsible disposal of paper, plastic and general waste.

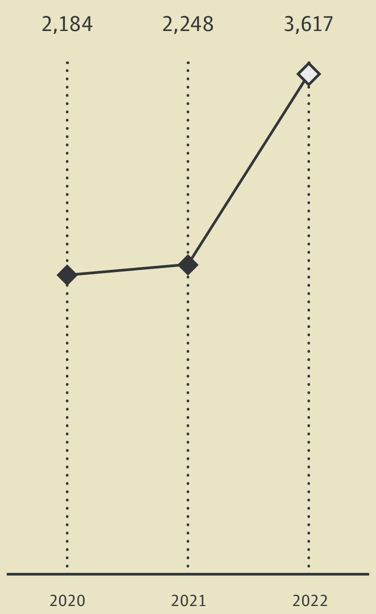
Elimination of Single-Use Water Bottles:
As part of our commitment to protecting the environment and focusing more on eco-friendly workplace, an internal campaign was launched where all staff has been provided with high-quality stainless steel recycled water bottles in efforts to eliminate single-use plastic bottle consumption in the office.

As part of our investment approach and its indirect impacts, we consider helping minimise the footprint of our investee companies as part of our overall responsibility. Thus, we encourage our investees to manage their environmental impacts in a systematic manner and pursue measures that continuously improve their respective environmental performances. Examples of some of the best practices adopted by GFH investee companies.

Energy Consumption

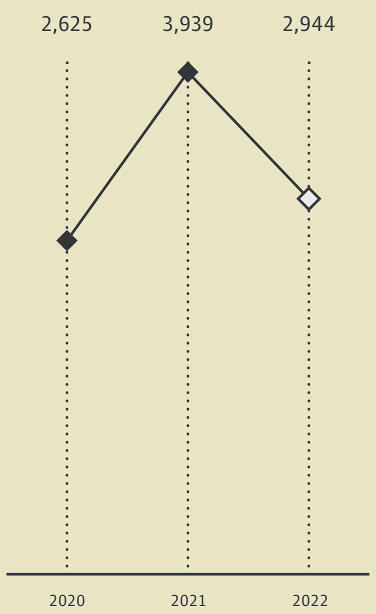


Petrol consumption from vehicles
units in L



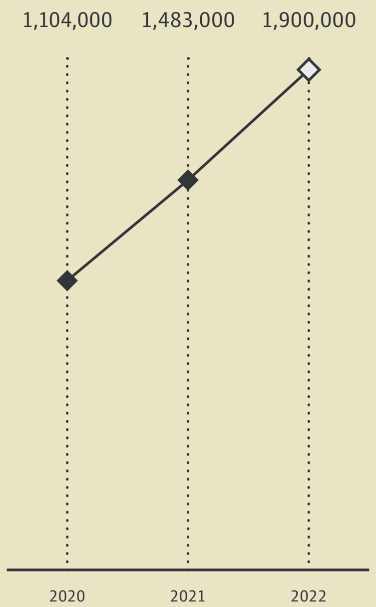
Electricity consumption (office, storage, facilities, etc.) units in kwh

Water Consumption



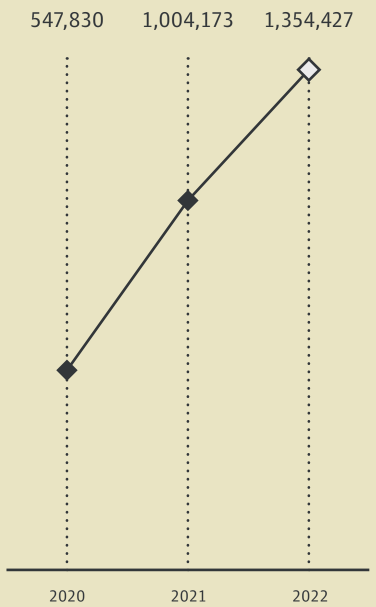
Total water consumption
units in m^3

Community Investment



Amount of community Investments (US$)

Procurement



Procurement spending on local suppliers units in BHD

Energy Management
To reduce climate impacts and increase operational efficiency, we regard energy management as crucial. We strive to reduce our environmental footprint due to energy consumption by combating energy waste by raising awareness, investing in energy efficiency measures, and continuously tracking our performance. Our efforts in this regard helped us reduce our energy intensity approximately by 14% from 2021 to 2022.

Sustainable Procurement
Through the approved supplier procurement methodology, measures are being taken to reduce the amount of packaging consumed by the company. This includes but is not limited to, the reduction in consumption of plastic bottles, the distribution of company issued refillable water bottles as well as the use of non-plastic eating utensils.

We stand up for basic human rights and refrain from engaging in business ventures that violate such rights. When possible, we choose to cooperate with local suppliers to help community development and lessen negative environmental effects. In 2022 the spending on local suppliers increased 35% compared to 2021.

35

Percent

In 2022 the spending on local suppliers increased 35% compared to 2021.

We strive to reduce our environmental footprint due to energy consumption by combating energy waste, raising awareness, investing in energy efficiency measures, and continuously tracking our performance.

2021

Vehicle petrol consumption
18k

2022

Vehicle petrol consumption
13.7k

Group petrol consumption is trending downward

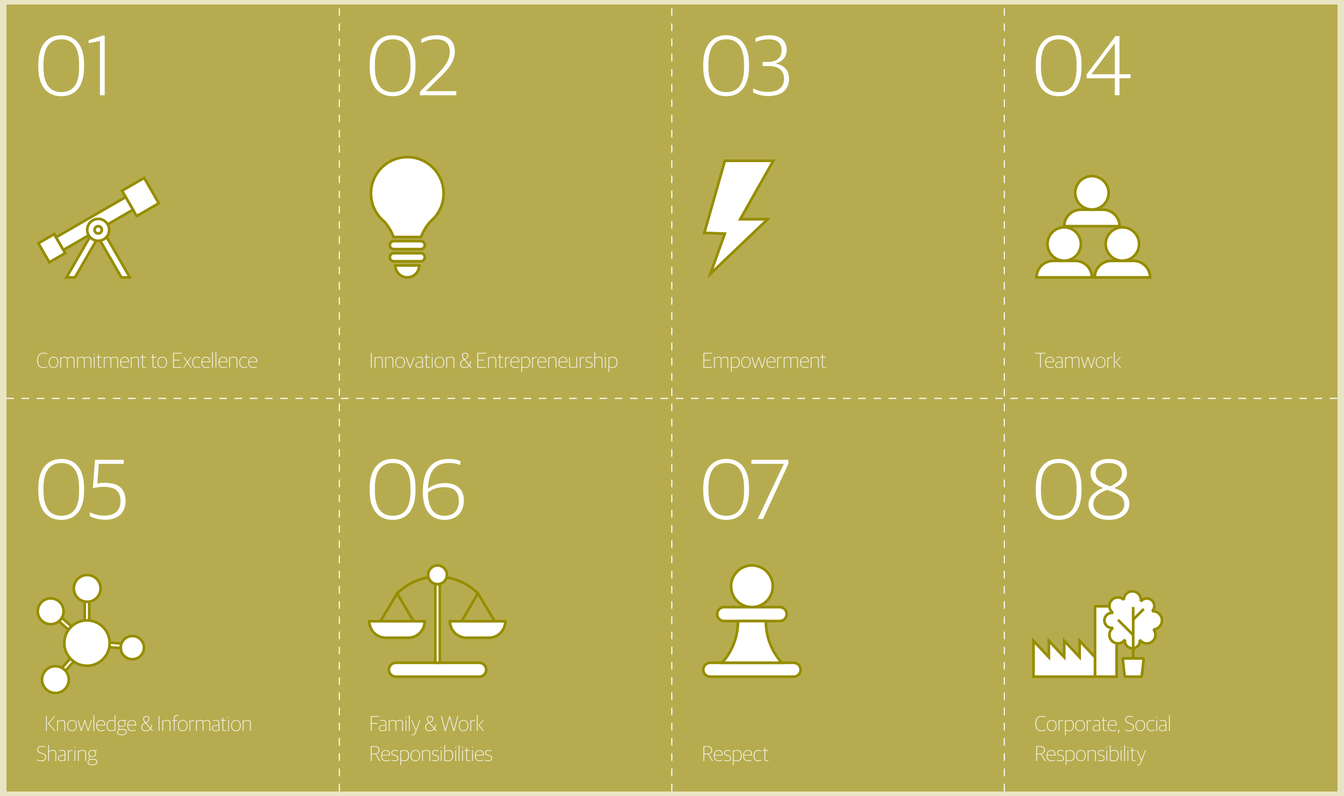
Down 26% in 12 Months

Environmental Social Governance

We are engaged with the development of the societies we serve

GFH is engaged with its community; we want to change how the communities we work with live their daily lives. In order to give back to the community and enhance the services offered to it, we continue to support a wide range of charitable organizations, causes, and other social infrastructure and service providers as part of our responsibilities, from educational sponsorships to medical equipment for hospitals and financial support to the disadvantaged.

We continue to provide support to numerous charitable organisations, causes and other social infrastructure and services providers as part of our responsibilities ranging from educational sponsorships to medical equipment for hospitals and financial support to the financially disadvantaged in an effort to support pay back to the community and improve the services provided to it. In 2022, our community investments totalled over US$ 1.9 mn. We target to boost our community investment as a percentage of company revenue to 1%.



Our Talent Management Principles

1. **Commitment to Excellence**
   GFH rewards excellence and gives its employees adequate and consistent opportunities for enhancing their skills between professional excellence and continuous learning.

2. **Innovation & Entrepreneurship**
   Innovation and entrepreneurship are important facts of GFH's business culture, and as part of this culture GFH expects its employees to constantly seek new knowledge and always challenge themselves to do better in what they are already doing well, as well as providing suggestions resulting in significant improvement of business processes.

3. **Empowerment**
   GFH trusts its employees, respects them, and believes in their integrity, and will give them the tools and skills needed to get the job done and sense of confidence needed to take initiatives, manage risks, and adapt to change. GFH requires its managers and supervisors to efficiently delegate responsibilities as required and ensure efficiency in the decision-making process.

4. **Teamwork**
   The best solutions come from working together, therefore employees, including managers, must work cooperatively to realize GFH's objectives.

5. **Knowledge & Information Sharing**
   At GFH, collaborative knowledge sharing among units is highly encouraged to make the most efficient and collective decisions possible within the team.

6. **Family & Work Responsibilities**
   GFH believes that helping its employees meet their family responsibilities is compatible with the teachings of its Glorious Shari'a and contributes to increased productivity. Moreover, GFH is committed to having the most progressive benefit schemes for its employees and their families.

7. **Respect**
   GFH treats its colleagues, clients and others with whom GFH does business with respect, dignity, fairness and courtesy. Also, GFH is committed to maintaining a work environment that is free from discrimination.

8. **Corporate Social Responsibility**
   GFH encourages the support of charitable, educational and community service activities with the efforts of the Staff Social Committee continuous initiatives.

We are aware that training and upskilling is an essential and continuous process for employees at every level to utilise their potential towards their personal development objectives and GFH's sustained success.

WE NURTURE OUR WORKFORCE

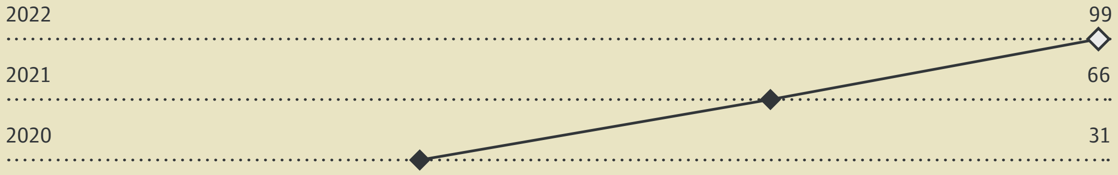
We are committed to creating sustainable wealth for our stakeholders, primarily our employees. At GFH, we believe that our employees are the key to our success. We offer advanced training and development opportunities for our employees so that they feel appreciated and valued. In addition to attracting the best talent, we strive to promote Bahrainization as well. Moreover, we are dedicated to maintaining a diverse workforce and creating a safe and positive work environment.

In particular, we are committed to the following practices:

Talent Attraction and Management
We seek the best talent to participate in a special learning journey that is intended to give chosen participants the skills and exposure they need to start a successful career while building a talent pool of high-performance future employees. We invest in our employees' career development providing funds, time and resources for external training and development. Engaging with all employees, and regularly monitoring and assessing employee satisfaction enables the continuous identification and implementation of continuous enhancement to employees' experience.

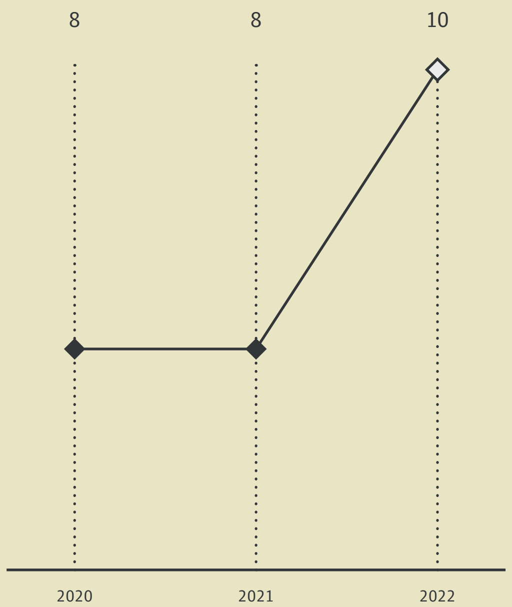
Health, Safety and Wellbeing
We regard presenting a healthy and safe work environment as an indispensable component of a successful business. We take reasonable precautions to promote health and safety in the workplace and create safe working conditions for all employees. This includes providing adequate control of the health and safety risks arising from work activities, maintaining safe equipment and ensuring the safe handling of all equipment.

New Hires



Workforce Gender

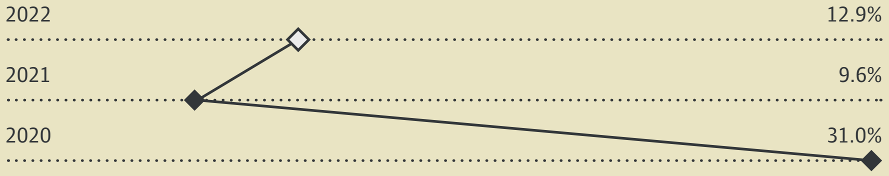
Female Leadership



Gender Profile

Our goal at GFH is to create a supportive and inclusive work environment where our employees can thrive.

Turnover



Social Responsibility

GFH is committed to promoting human rights and responsible labor practices. We will not invest in companies that violate internationally recognized human rights standards. We will prioritize investment opportunities in affordable housing, healthcare, and education that contribute to social and economic development. GFH will consider the social impact of our investments, including job creation and the treatment of workers, when making investment decisions.

Nationalisation

In line with national agendas, GFH takes affirmative actions in hiring decisions. Employment decisions are made on merit and many other objective criteria, yet for candidates of similar calibre, this gives Bahraini citizens priority over others when making hiring decisions.

In coordination with the Bahrain Institute of Banking and Finance, we select top Bahraini prospects to undergo a unique learning journey designed to provide selected participants with the necessary tools and learning exposure to launch a successful career, while creating a pool of high-performance future talent.

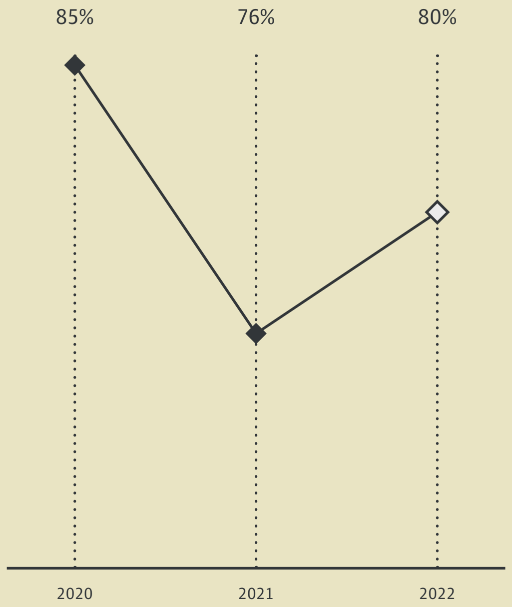
Training and Development

We are aware that training and upskilling is an essential and continuous process for employees at every level to utilise their potential towards their personal development objectives and GFH's sustained success. Hence, we invest in our employees' career development, which covers providing training, providing funds, time and resources for external training and other opportunities. GFH also provides employees with paid time off for attending training courses, exams, professional certification programs, and relevant industry conferences and events. All employees are encouraged to pursue career development opportunities. In this respect, it is among line managers' responsibilities to help employees and to ensure all employees receive fair opportunities for career development opportunities.

We provide training, instructions, and supervision for all employees in line with our Health and Safety Policy that is applicable to all our employees. We also take care of our employees' wellbeing, offering activities including sport activities and tournaments, as well as arrangements that promote work-life balance and that enhance physical and mental health in their free time and during working hours. Our goal is to create a supportive and inclusive work environment where our employees can thrive.

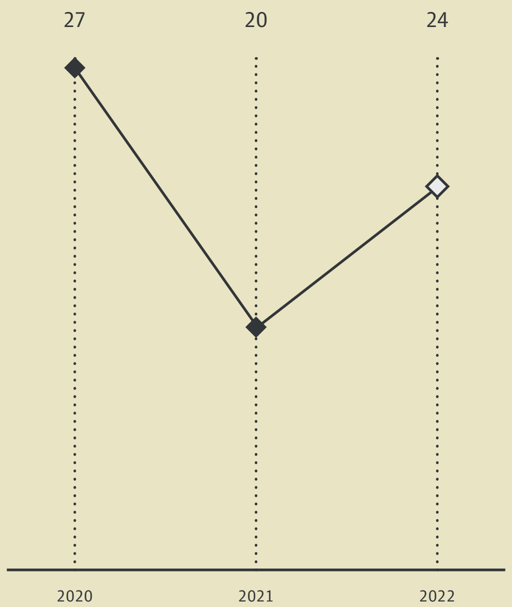
At GFH, our investment decision-making is in accordance with our ambition to transform the daily lives of the communities we're a part of. We are committed to creating sustainable wealth for our stakeholders, primarily our employees, investors, and the communities we serve every day. We regard building a workplace environment that fosters equality, employee wellbeing, development, and satisfaction as a crucial part of this commitment.

Nationalization

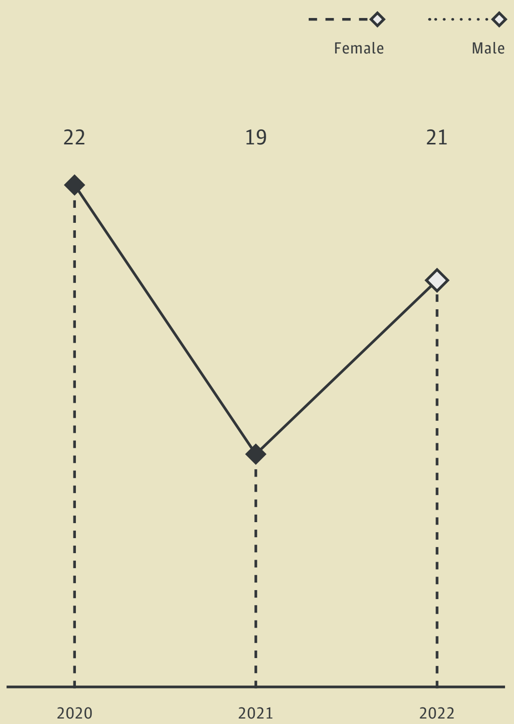


Nationals among total full-time workforce

Training and Development



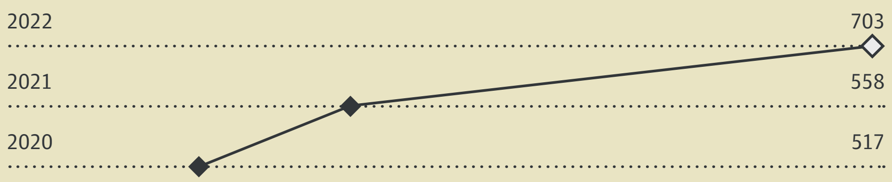
Average training hours (male)



Average training hours (female)

In 2022, we achieved a 10% increase in the number of females hired, compared to 2021. In addition to this, the number of employees who left the company remained the same.

Total No. of Staff



GFH's total global workforce, across all its businesses now stands at 703. A positive growth trend of 40% since 2021

10

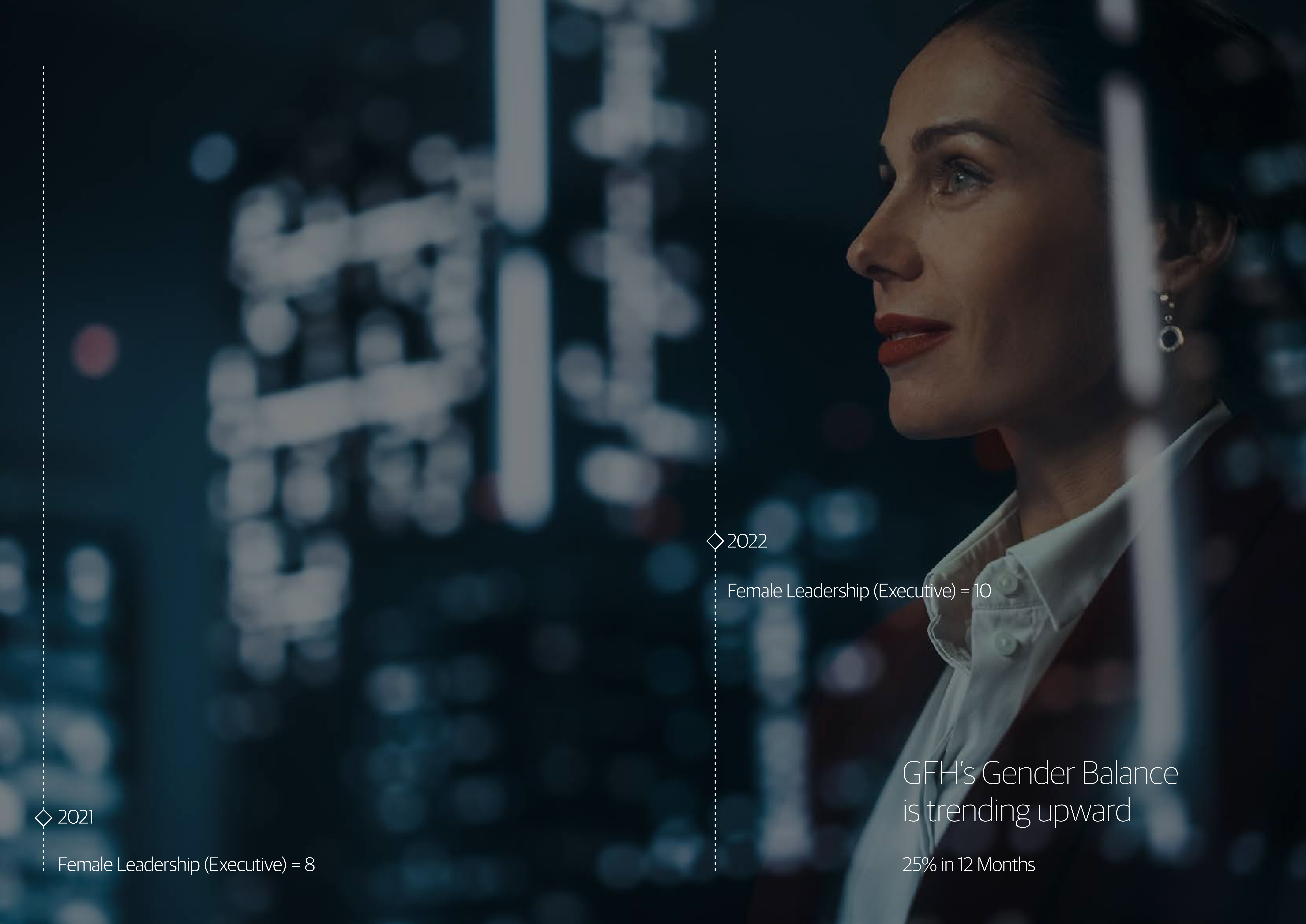
Percent

10% increase in the number of females hired in 2022 compared to 2021.

Diversity and Inclusion
GFH is committed to maintaining an equal opportunity workplace and ensuring diversity and representation across roles and responsibilities. We strive to bridge the gender gap and commend Bahrain's leadership for emphasising the role of women in advancing Bahraini society. As we aim to balance our workforce gender ratio, we are creating more opportunities for female employees each day.

We also participate in a number of initiatives and events to raise awareness around gender equality and women empowerment.

Anti-discrimination
Our Anti-discrimination Policy assures respect for the personal dignity, privacy, and personal rights of every employee. At GFH, we are committed to maintaining a workplace free from discrimination and harassment. In accordance with this, discrimination on the basis of origin, nationality, religion, race, gender, age, or engagement in any kind of verbal or physical harassment based on any of the above or any other reason is not tolerated. Employees who feel that their workplace does not comply with the above principles are encouraged to raise their concerns with the HR Department. These concerns or occurrences are dealt with in line with our Grievance Policy.



GFH's Gender Balance is trending upward

25% in 12 Months

2021

Female Leadership (Executive) = 8

2022

Female Leadership (Executive) = 10

GFH continues to act with integrity; being open, transparent, and straightforward in every aspect of our business is part of our workplace culture. To operate without any compromise and to continuously improve, we implement and regularly update strategies and policies that are aimed at complying with the Group's regulatory and supervisory responsibilities.

Our ambition to achieve the highest levels of transparency, accountability and management is bolstered by our robust corporate governance framework, which is designed to support us in meeting our strategic objectives, as well as the interests of our key stakeholders.

Our Corporate Governance framework is aligned with the applicable regulatory requirements and is focussed on assisting us to successfully meet our strategic objectives, maintain steady growth and ensure we effectively serve our clients' and shareholders' interests.

Our Board of Directors has 8 members, out of which six are independent and one is non-executive Board Secretary confirmation/revision. Our Group's control functions all have direct reporting lines to the Board's Audit and Risk Committee to ensure that they carry out their responsibilities with full independence. For more information on our governance systems and relevant boards and committees, please refer to the GFH 2022 Corporate Governance Report which is included on page 6.

Environmental
Social
Governance

We are dedicated to ensuring the good governance of our enterprise

01	02	03
Review & Assessment Review and assess the implementation and effectiveness of GFH Financial Groups ESG Strategies.	**Performance Efficacy** Review the Group's overall performance efficacy against its stated ESG objectives and targets	**Coherent Alignment** Ensure both business and ESG priorities are coherently aligned & effective

04	05	06
Continual Exploration Explore, advise and wherever possible, approve new ESG opportunities and initiatives.	**Recommend & Advise** Make required board recommendations, including new policies implementations, and the proposal of strategic initiatives.	**Maintain Relevance** Be updated on regulatory requirements and laws pertaining to ESG and sustainability disclosures

GFH's Six ESG Committee Objectives

91.7

Percent

We have achieved 91.7% of our 2022 Internal Audit Plan.

ESG Committee

In 2022 we have formed the ESG Committee -a management level committee - to oversee the group's overall strategy pertaining to Environmental, Social and Governance aspects, in alignment with local and global regulations and standards.

The charter document of the ESG committee outlines the structure, responsibilities and authorities to ensure highest levels of governance. The members are representations from different internal departments in favor to provide a consolidated and valuable contributions to oversee and continuously develop our ESG best practices and governance.

Members of the committee:

Chief Operating Officer	Chairman of the Committee
Head of Compliance	Compliance Representative(s)
Head of Administration	Property / Administration Representative(s)
Head of Marketing	Corporate Communications Representative(s)
Head of Human Resources	Human Resources Representative(s)
Head of Sharia and Corporate Secretary	Shari'a and Governance Representative(s)
Director of HR & ESG	Secretary of the Committee

Governance, Business Ethics and Compliance

We promote the highest standards of governance, business ethics and compliance. Being open, transparent, and straightforward in every aspect of our business is part of our workplace culture. To operate without any compromise and to continuously improve, we implement and regularly update strategies and policies that are aimed at complying with the Group's regulatory and supervisory responsibilities.

We will consider investment opportunities in companies with strong governance practices, including clear lines of accountability, effective risk management systems, and transparent reporting. GFH will engage with our clients to encourage good governance practices and promote sustainable business models.

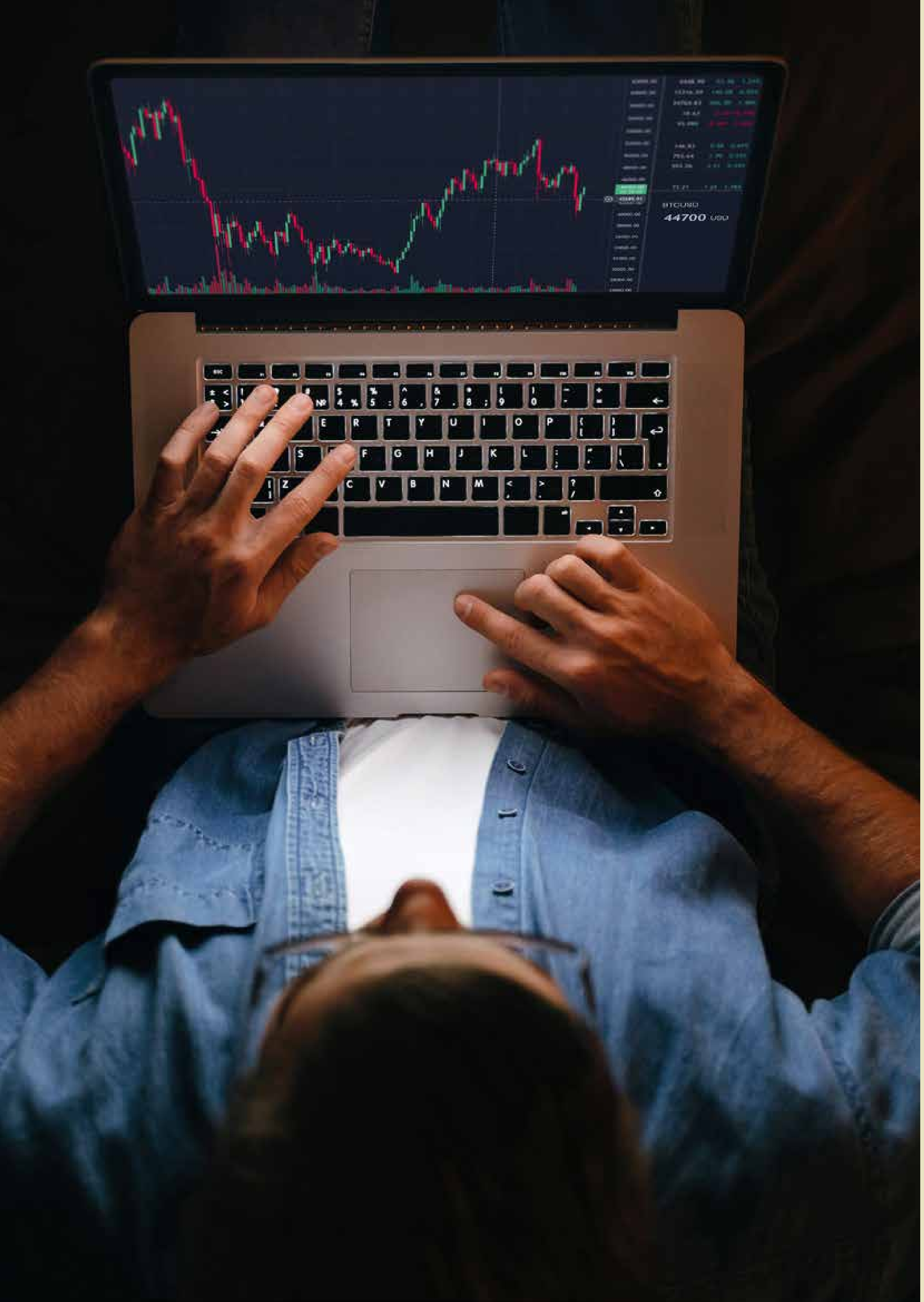
We have achieved 91.7% of our 2022 Internal Audit Plan. Our Internal Audit Department (IAD) also underwent an external quality assurance review conducted by an independent third party. Under the supervision of the Board, IAD utilised the results to create a detailed action plan.

Anti-corruption, anti-money laundering and anti-bribery

In line with our corporate culture and values, honesty is of the utmost importance to us. GFH is committed to ensuring regulatory compliance to combat corruption, money laundering and bribery, supporting international and local efforts to eliminate corruption and financial crime.

Acting ethically and our dedication in good governance measures is reflected in our Director's Code of Conduct, Conflict-of-Interest Policy, AML, CFT and KYC Policy Statement, Anti-money Laundering (AML) Questionnaire, Whistleblowing Policy, Anti-bribery Corruption Policy and Gift Policy. These policies are publicly available on the GFH website.

We use various tools such as monitoring, due diligence, internal and external audits and comply with AML standards in line with the Financial Action Task Force (FATF) recommendations. With our diversified portfolio continuously expanding, the role of our Risk Management Department evolves and elevates to ensure these risks are effectively managed. GFH also has strictly confidential whistleblowing channels (e-mail, fax, post, courier/manual delivery) for anonymously reporting potential violations of these policies. We guarantee our employees that there will be no retaliation against anyone because he or she, in good faith, reports an ethics or compliance concern.



We are committed to taking a responsible approach to risk management to ensure the continuation of positive long-term growth for all stakeholders. GFH's risk management framework adopts international best practices to deliver the highest possible level of corporate practice, governance and transparency.

Data Privacy
GFH Financial Group aims to use digital technologies to its fullest extent to capitalise on the endless opportunities they offer. However, we are aware of the security and confidentiality risks these new technologies present.

We regard data privacy and security as one of our crucial duties towards our clients and society as a whole for maintaining the trust in our Group, thus for the sustainability of our activities. To manage these risks effectively, we follow a comprehensive privacy framework, the GFH Data Privacy Manual, prepared and updated in accordance with international regulations and standards. This manual outlines the guidance for obtaining the informed consent and for providing the notice for collecting and processing the personal/sensitive personal data.

GFH has appointed a Data Protection Officer, who is appointed by the management (subject to Board or Board Committee approval) to oversee our compliance with applicable data protection laws, other pertinent laws, and issuances by the Data Protection Authority on data privacy, and our Manual. For promoting a privacy culture and continuously improving our privacy performance, we provide new and existing employees trainings, set data security related KPIs to monitor compliance with the data privacy requirements for relevant personnel and submit periodic reports to the Management on latest developments in legislation, training, privacy resourcing and funding, violations, and breaches if any, and results of audits on the methods and means of processing.

Risk Management
We are committed to taking a responsible approach to risk management to ensure the continuation of positive long-term growth for all stakeholders. GFH's risk and management framework adopts international best practices to deliver the highest possible level of corporate practice, governance and transparency.

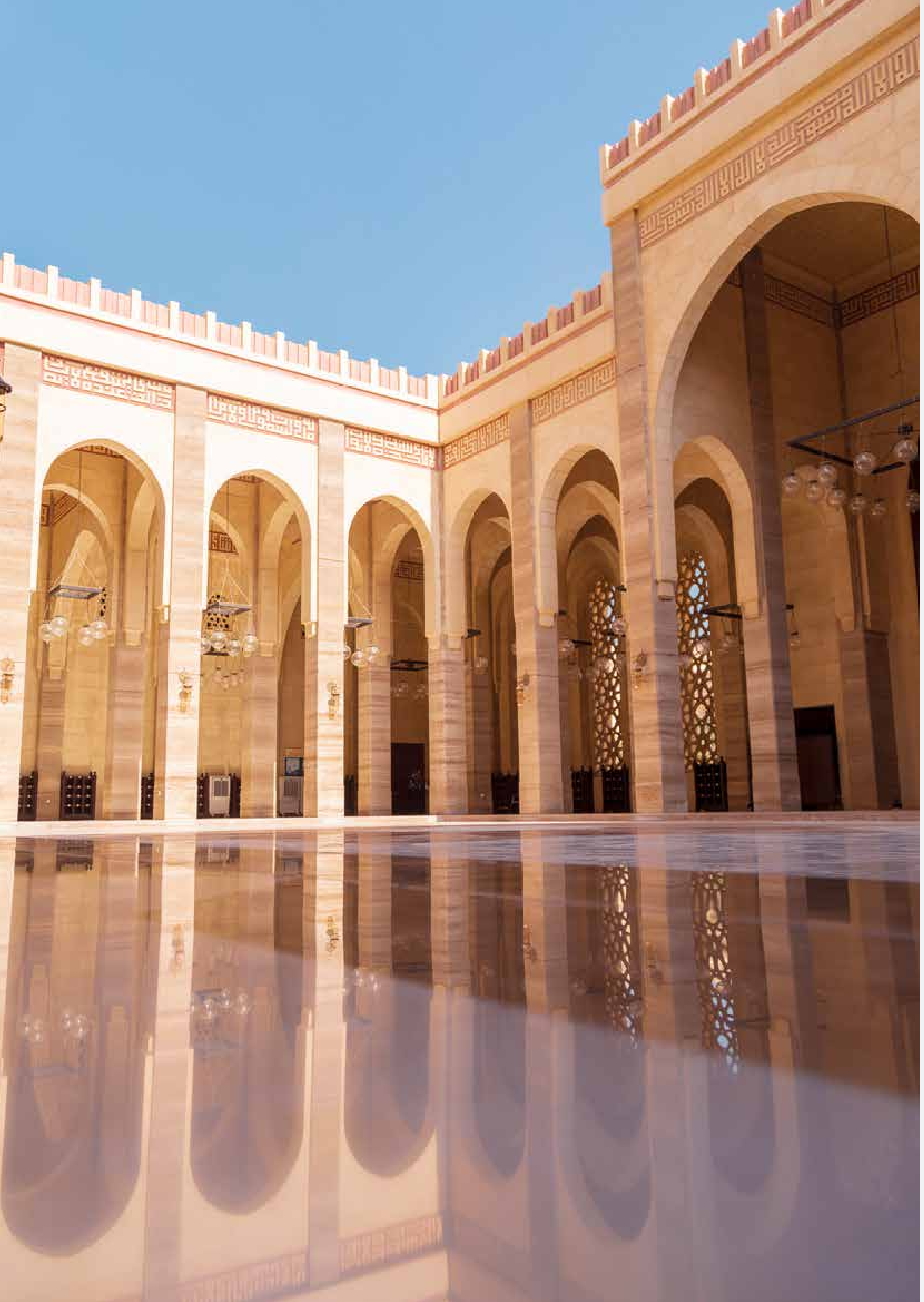
Customer Experience and Relations
We attach significant importance to customer satisfaction, and we always strive to improve our practices in line with their feedback from our online portal and automated satisfaction survey directed at the investors. We aim to measure our customer satisfaction on a regular basis to track and monitor methods of enhancing and improving our customers' experiences.

Digitalization and Innovation
We aim to maximize the use of digital technology to its fullest extent, and we are committed to integrating digitalization across our activities and operations in order to capitalize on the endless opportunities we offer.

03

A Summary Review of Our People & Our Performance

The situation post-pandemic has been fruitful for the business and we have witnessed a growth in our headcount as we pursue both inorganic and organic growth across the Group.



Our Group relies on the counsel of our expert Sharia board members for advice and guidance in ensuring compliance with Sharia principles across all GFH activities and entities.

Sharia Supervisory Board

The Sharia Supervisory Board reviews the Group's activities and products to ensure that all innovative products and investment transactions comply fully with the rules and principles of Islamic Sharia, provides the Group with pragmatic Sharia opinions, approves the Group's financial statements, and participates with management in the development of suitable investment products and services that support the Group's vision to develop a high-growth, diversified investment and commercial portfolio.

His Eminence Sheikh Abdulla Bin Suleiman Al-Menai
President

Consultant to His Majesty the Custodian of the Two Holy Mosques with the rank of Minister, member of Grand Scholars Panel, Kingdom of Saudi Arabia and an expert of the Islamic Fiqh Academy. He is also a retired judge of the Supreme Court in Makkah Al-Mukarramah in the Kingdom of Saudi Arabia, and a member of the Sharia supervisory boards of a number of Islamic banks and financial institutions.

His Eminence Sheikh Nizam Bin Muhammad Saleh Yaqoubi
Executive Member

Member of the Shari'a Supervisory Board at Central Bank of Bahrain, Abu Dhabi Islamic Bank, UAE, Sharjah Islamic Bank, UAE, Alsalam Bank, Kingdom of Bahrain, GFH Financial Group, Kingdom of Bahrain, ABC Islamic Bank, Kingdom of Bahrain, ABC Islamic Bank, London and others. Member of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Holds a number of awards, First Degree Award of Capability for Islamic services within and outside Bahrain 2007, from the King of Bahrain, Euro Money Award for innovation in Islamic banking supervision, Malaysia 2007, Malaysia Award for contribution to Islamic banking. He has participated and been a speaker in a number of jurisprudence, educational, economic, intellectual, social and cultural conferences and seminars.

His Eminence Farid Bin Muhammad Hadi
Executive Member

Dr. Hadi is Assistant Professor at the College of Arts in the Department of Arabic and Islamic Studies at the University of Bahrain. He holds a PhD in Ibn Hazm's Methodology of Jahala from Edinburgh University and a PhD in Al-Bukhari's Methodology from the University of Mohammed V in Morocco. Dr Hadi is also a member of the Sharia supervisory boards of a number of leading Islamic banks.

His Eminence Sheikh Abdul Aziz Al-Qassar
Executive Member

A Professor at the College of Fiqh and Department of Sharia and Islamic Studies at the University of Kuwait, Dr. Al Qassar holds a PhD in law and Sharia'a from Al-Azhar University in Cairo. He is also a member of the Fatwa and Sharia supervisory boards of a number of institutions in Kuwait.

The Sharia Supervisory Board has full access to the Board and management personnel of the Group. This includes access to the Sharia Internal Audit department and Sharia Coordination and Implementation department whom are proactively involved in reviewing and advising on the Sharia compliance of all products and investment projects, auditing the operations of the Group from a Sharia point of view, and producing reports to the Sharia Supervisory Board in order to ensure that the Group's activities are under oversight of Sharia guidelines.

The existence of the Sharia Supervisory Board contributes towards the assurance of our shareholders and investors, and without any doubt, their confidence which is one of the most important success factors for the Group.

Ghazi Faisal Ebrahim AlHajeri
Chairman, Independent Director
Appointed in April 2020

Mr Ghazi Al Hajeri is CEO of several major regional firms operating in the financial services sector. He has broad experience of directing and leading firms through periods of growth and expansion.

Mr. Ghazi Al Hajeri is the CEO of Wafra International Investment Company, a Kuwait-based asset management company with $7BN in AUM. Bringing 23 years of experience to his role, he is in charge of overall corporate direction and proprietary investments, Mr Al Hajeri leading the company's transformational growth strategy. Prior to that, Mr Al Hajeri occupied the role of deputy CEO at Touristic Enterprises Co., an entity owned by the Kuwait Investment Authority and the oldest and largest provider of recreation and entertainment in the State of Kuwait. Mr. Al Hajeri was responsible for the group's facility operations and development.

Mr. Ghazi Al Hajeri held the position of Managing Director for Wafra InterVest Corp. He established Wafra's regional office in 2007 and remained its Regional Director until 2017. Mr. Al Hajeri was responsible for firm's regional business strategy and product development and served as a corporate liaison with the firm's largest clients.

Mr. Ghazi Al Hajeri was responsible for directing the firm's largest client relationships. He devised strategic plans to grow the firm's expansion in assets from $7 bn to $20 bn in a period of 10 years. Mr. Al Hajeri managed complex projects for sovereign wealth and pension clients that included asset allocation, business development and investment planning.

Mr. Al Hajeri was a member of the Alternative Investments Division Investment Committee and responsible for reviewing and monitoring external investment managers while directing departmental strategy at Wafra Investment Advisory Group in New York from 2000 – 2006. Mr. Al Hajeri holds a Bachelor of Science in Business Administration from the University of Denver.

Bringing 23 years of experience to his role, Mr Al Hajeri is in charge of overall corporate direction and proprietary investments, leading the company's transformational growth strategy.

Board of Directors

13

US$ bn

As MD for Wafra InterVest Corp, Mr Ghazi Al Hajeri grew the firm's holdings by $13 bn, from $7 bn to $20 bn in a period of 10 years.

Edris Al-Rafi is the Head of Middle East & Africa at Aberdeen Standard Investments and prior to that he served as Chief Executive Officer at Dubai Holding LLC and Chairman of Aurum Leasing Limited. Edris has held various senior leadership roles such as the Chief Commercial Officer at Meraas Holding and the Head of UAE at Goldman Sachs. He joined Goldman Sachs in 2008 to manage sovereign Wealth Funds, UAE Commercial Banks & large UAE corporate clients including GREs for Investment Banking and Securities businesses. Before that, he served as General Manager at First Gulf Bank and he was also on the Board of Noor Bank PJSC & Emaar Industries & Investments (Pvt) JSC. Mr. Al-Rafi has more than 20 years of experience in investment banking, private equity, hospitality and real estate development. Edris holds a Finance degree from The Higher Colleges of Technology (HCT).

Edris Mohammed Rafi AlRafi
Vice Chairman, Independent Director

Hisham Alrayes is leading the Group forward towards its vision of becoming the region's most prominent, diversified financial Group, and one that provides a remarkable platform for delivering superior Wealth Management, Commercial Banking and Asset Management services. With over 24 years of experience, Hisham brings extensive expertise and banking knowledge to the Group and was instrumental in driving the development and execution of the Group's regional and international investment strategy. Hisham currently chairs and holds a number of directorships in financial, Industrial and real estate companies including Esterad Investment Company, Khaleeji Commercial Bank, GFH Capital, GBCORP and Infracorp.

Hisham holds a Master's degree with honors in Business Administration from the University of DePaul, Chicago (USA), and a Bachelor's degree in Engineering with honors from the University of Bahrain. In 2022, Forbes ranked Hisham as one of the "Top 100 CEO s in the Middle East" while Arabian Business named Hisham as "CEO of the Year- Financial Services". In 2021, Hisham was ranked 'One of the top listed CEOs' in CEO Today Middle East Awards, and 'Best CEO in Investment Banking Sector-Bahrain 2021' from the Global Economics. And during 2020, Hisham received 'Banker of the Year' in the MEA Finance Awards 2020 in recognition of his role in steering the Group's diversification strategy which has seen the Group expand its business lines and geographic reach, while remaining resilient in the face of unprecedented market conditions. He was also ranked one of the top CEOs in Financial Services & Investments in 2019 and named 'Investment Bank CEO of the Year' at CEO Middle East 2019.

Hisham Alrayes
Member & Group CEO, Executive Director

Rashid Nasser Sraiya Al Kaabi is a member of the Board of Directors at Qatar Chamber of Commerce and Industry (QCCI) and Chairman of the industry committee at QCCI.

With over 21 years of experience, Rashid has become one of the most outstanding and youngest Qatari Businessmen to achieve an esteemed reputation both nationally and internationally. His business career started in 1995 and by 2019, he has managed to expand the business well into new horizons. With his keen expertise new businesses have been launched across Qatar, USA, United Kingdom, Germany, Poland, Turkey, UAE and Oman across all 5 sectors of Al Sraiya Holding's engineering, hospitality, industrial, trading, education and general services groups.

Rashid believes administrative and legitimate expertise are essential for the success of a business. Smart, reliable, profitable and consistent business decisions are the outcome of Rashid's eye for business opportunities, expertise in negotiations, wealth of knowledge, integrity, values, and a drive for a better future.

As a visionary business man, Rashid is always on the lookout for future business opportunities that will enlarge the Group's portfolio. As a vivid man of values, the importance of family owned and managed companies is held high as he believes they play a major role in managing private economic enterprises in Qatar, the Gulf region, and beyond. Family owned businesses adhere to the quality of administrative and financial systems compatible with the standards of transparency and responsibility towards society, as a family is towards itself. It is the family company that guarantees survival and sustainability across time because of the shared appreciation of the journey of noble success through dedication, inspiration, innovation, virtue, and wisdom.

Rashid Nasser Al Kaabi
Member, Non-Executive Director

Ahmed Al Ahmadi serves as an Independent Director on the Board of GFH Financial Group and is currently part of Rothschild & Co., a multinational investment bank and financial services company. He is an investment professional with robust analytical skills and a passion for business.

With a strong professional and academic profile that is recognized by the broader regional business community, Ahmed was involved in sourcing global opportunities and partnerships in the financial services space for a renowned sovereign wealth fund in Abu Dhabi. In his previous role under Mergers & Acquisitions, Ahmed applied his talents in executing a number of notable transactions, including the successful recapitalization of a NYSE-listed utilities company, minority acquisition of the leading telecommunication player in India, and successful construction of a diversified public equities portfolio during 2020. He consistently proves to be a fully rounded investment professional with a deep analytical and creative mindset.

Ahmed has also been involved in the energy and power industry in an asset management and advisory capacity. He previously served as a Director on the Board of SHUAA Capital PSC and Integrated Capital.

Ahmed is a CFA charter holder. He holds a First-Class Honours degree in Chemical Engineering (BEng) from University College London, and a Master's degree with Merit in Risk Management and Financial Engineering (MSc) from Imperial College London.

Ahmed Abdulhamid Al Ahmadi, CFA
Member, Independent Director
Resigned on 7 June 2022

Mr. Ali Murad is the Managing Director and Co-Founder of Pinnacle W.L.L., Bahrain. He also serves as a board member in several companies including EAT App, Wavepoint Publishing W.L.L and Alareen Holding Company.

Throughout the 20 years of experience in his career, Mr. Murad occupied several positions in the banking sectors before he moved into the private sector. He commenced his banking career at Arab Banking Corporation where he remained for five years. During this time, he held the position of credit analyst of ABC Islamic Bank EC, money market dealer and thereafter, as a deputy manager of the Treasury and Marketable Securities Department. Mr. Murad then joined Unicorn Investment Bank (now, Bank Alkhair) in the Investment Development and Distribution Department and later First Energy Bank as a director in Investment Placement, where he placed numerous financial products and services to high-net-worth individuals, governments and quasi-governmental Organizations, publicly listed and unlisted companies, as well as private banking clients.

Mr. Murad was part of the investment team, where he also worked on tailoring customized investment products catering to the tough market conditions at the time. In 2010, Mr. Murad embarked in a career in the private sector and founded Pinnacle W.L.L. as a holding company for stakes in various sectors including technology, music publishing, real estate to name a few. He continues to explore, review and monitor active and potential investments both regionally and internationally.

Mr. Murad holds a Bachelor of Science and Business Administration in Marketing from Suffolk University, Boston, Massachusetts.

Ali Murad
Member, Independent Director

Holding a BSc. in Marketing from California State University in Los Angeles, Mr. Fawaz Al Tamimi is the Senior Vice President of Finance and Investment at Tamimi Holding with 11 years of working experience.

Mr. Al Tamimi is a Board member at Tamimi Group, Gulf Islamic Investment Company, Specialized Industrial Casting Company, Kingdom Holding Gulf Union Insurance, and Tamimi Markets, amongst others.

Fawaz Talal Al Tamimi
Member, Independent Director

Alia Al Falasi serves as Legal Counsel in the financial investment arm of one of the UAE's leading sovereign wealth funds, with an AUM of over $200bn. With 15 years of working experience, she is responsible for transaction execution and the oversight of investments, from a legal and governance perspective, with a focus on investing in China, France and Russia. Within this geographic focus, Alia has experience investing across a variety of asset classes, including publicly traded equities, private equity, venture capital and real estate, in addition to experience with working across a broad range of industries such as healthcare, TMT, financial services and consumer goods, among others.

In the past years, Alia was a leading member of a team that closed deals with an invested amount greater than $1bn.
Alia has served as an Investment Committee member, responsible for screening opportunities, portfolio management and making strategic and investment decisions within the broader business unit she serves at, overseeing an investment portfolio of more than $20bn.
Alia is admitted as a solicitor in the Senior Courts of England and Wales. She holds a BSc in Management with Law from the University of London, in association with The London School of Economics and Political Science.

Alia Al Falasi
Member, Independent Director
Resigned on 9 November 2022

Mr. Darwish Al Ketbi is a highly motivated, analytical and focused young professional with built-up expertise on stock market with in-depth knowledge on alternative investments, structured products, and sophisticated trading strategies.

Mr. Darwish Al Ketbi is the Investment and Portfolio Manager at Darwish Bin Ahmed & Sons, a board member at Union Properties PJSC – Dubai and Darwish Cybertech India Private Limited – India. He holds bachelor's degree of Science in Business Major in Finance from Zayed University in Abu Dhabi.

Over the past nine years, Mr. Al Ketbi gained vast experience in managing investments, real estate, corporate finance, placement, treasury, modelling and valuation of investment opportunities and monitoring and managing portfolios. With his experience and enthusiasm, Mr. Darwish is expected to add value to GFH's progressive growth and transformation.

Darwish Al Ketbi
Member, Independent Director
Appointed on 29 March 2022

Mr. Yousif Abdulla Taqi is a result-oriented Islamic banking professional with over 35 years of experience in Banking, Audit and Business Advisory. He is a businessperson who has been at the helm of and at the highest levels of management of many reputed banks as well as serving on the Board of many other companies.

Previously, Mr. Taqi was the Group Chief Executive Officer & Executive Director at Al Salam Bank BSC Bahrain, a Deputy General Manager at Kuwait Finance House Bahrain and a Partner at Ernst & Young, Bahrain. Throughout his career, Mr. Taqi has been instrumental in a number of key achievements including the introduction of significant high net-worth individual accounts to the banks where he held leadership roles, supported the establishment of the Islamic Financial Services group and contributed to the conceptualization of a one stop shop for investors.

He serves as an independent Board Member in KFH and Eskan Bank. He is also a non-executive director on the Board of Aluminum Bahrain (ALBA).

Mr. Taqi is a Certified Public Accountant (CPA) and has a B.Sc. in Accounting from Husson University, USA.

Yousif Taqi
Independent Director
Appointed on 19 June 2022, and approved by shareholders in GFH's AGM 2023


Hisham Alrayes
Member & CEO
GFH Financial Group

Hisham brings extensive expertise and banking knowledge to the Group and was instrumental in driving the creation and execution of the Group's regional and international investment strategy Hisham Alrayes is leading the Group forward towards its vision of becoming the region's most prominent, diversified financial Group, and one that provides a remarkable platform for delivering superior Wealth Management, Commercial Banking and Asset Management services. With over 24 years of experience, Hisham brings extensive expertise and banking knowledge to the Group and was instrumental in driving the development and execution of the Group's regional and international investment strategy. Hisham currently chairs and holds a number of directorships in financial, Industrial and real estate companies including Esterad Investment Company, Khaleeji Commercial Bank, GFH Capital, GBCORP and Infracorp.

Hisham holds a Master's degree with honors in Business Administration from the University of DePaul, Chicago (USA), and a Bachelor's degree in Engineering with honors from the University of Bahrain. In 2022, Forbes ranked Hisham as one of the "Top 100 CEOs in the Middle East" while Arabian Business named Hisham as "CEO of the Year- Financial Services". In 2021, Hisham was ranked 'One of the top listed CEOs' in CEO Today Middle East Awards, 'Best CEO in Investment Banking Sector-Bahrain 2021' from the Global Economics. And during 2020, Hisham received 'Banker of the Year' in the MEA Finance Awards 2020 in recognition of his role in steering the Group's diversification strategy which has seen the Group expand its business lines and geographic reach, while remaining resilient in the face of unprecedented market conditions. He was also ranked one of the top CEOs in Financial Services & Investments in 2019 and named 'Investment Bank CEO of the Year' at CEO Middle East 2019.

In 2022, Forbes ranked Hisham Alrayes as one of the 'Top 100 CEOs in the Middle East'.

With more than 24 years of cross sector experience, Hisham Alrayes, GFH's CEO, brings unparalleled experience to the Executive Team. His group strategy is the driving force behind our upward trend.

GFH's Executive Team

534

Years

Our Executive Team comprises a body of experience totalling 534 years across an expansive range of industry sectors.

Sattam Algosaibi has over 24 years of banking experience occupying senior posts across several roles and responsibilities. Witnessing changing economic environments and evolving regulatory mindsets. This allowed him to have an in-depth understanding and practical knowledge in Islamic Banking and conventional commercial banking's best practices. Before joining KHCB, Sattam was appointed as Chief Executive Officer for Bahrain Development Bank Group in 2017 and prior to that, he spent over 12 years in Kuwait Finance House Bahrain BSC as an Executive Manager and Head of the Corporate Banking Group.

He holds a number of Board directorships in the banking, industrial and real estate sectors such as; Gulf Holding Company, Locata Corporation, Gulf Real Estate Company, Naseej BSC, Capital Real Estate Company and Al Areen Hotels WLL.

In addition to being a Board Member and Chairman of the Executive Committee of Seef Properties B.S.C. (c), Board Member of Binaa Al Bahrain BSC, Board Member of Lama Real Estate WLL and Board Member of The Bahrain Royal Golf Company.

Sattam sits on the Board of Bahrain Association of Banks and the Board of INJAZ Bahrain, a non-profit organization that aims to prepare and inspire the youth to succeed in the global economy.

He is also a member of the Board of Trustees of Ibn Khuldoon National School

Sattam holds a bachelor's degree in accounting from 'King Fahad University of Petroleum and Minerals' and an MBA degree from 'DePaul University'.

Sattam Algosaibi
Chief Executive Officer
Khaleeji Commercial Bank

A key player in the strategic management of the Group's core operational functions, Salah Sharif, Chief Operating Officer of GFH, is also responsible for ensuring the highest standards of operational excellence across the Group and its Special Purpose Vehicles and Project Companies. He has more than 31 years of regional and international exposure to conventional and Islamic banking and finance, with experience across commercial and wholesale banking and in industrial and infrastructure advisory sectors. In addition to his executive role at the Group, Salah also serves on several investee company boards. He is the Chairman of Falcon Cement Company, Vice Chairman of Infracorp and Vice Chairman of Gulf Holding Company, and a Board Member of Khaleeji Commercial Bank, GBCorp and CapCorp.

Prior to his current role in GFH, Salah was seconded as the CEO of Cemena Holding Company (CHC), an industrial subsidiary of the Group, one of the largest cement holding companies in the MENA region. Previously, he held a number of senior roles in leading, global financial institutions, including American Express and Standard Chartered Bank where he held key executive positions.

Salah holds an MBA from the University of South Wales, UK, and has completed the Senior Executive Leadership Program offered by Harvard Business School, Boston, USA.

Salah Sharif
Chief Operating Officer

Suryanarayanan Hariharan, Chief Financial Officer, works closely with the Group's executive management team and is responsible for the accounting, financial planning and analysis, and stakeholder reporting, including regulatory reporting, for the Group and its owned subsidiaries. Surya has more than 17 years' experience in stakeholder reporting, audit services, business process improvement and transition and risk advisory.

Prior to his appointment at GFH, he was the Head of Finance for a private equity venture in Abu Dhabi backed by sovereign wealth funds and ultra high net worth individuals. Previous to this he was in audit services and real estate domain at KPMG in both Bahrain and Qatar, and Pricewaterhouse Coopers in India.

He holds a bachelor's degree in Commerce from the University of Mumbai, India, and is a Chartered Accountant (CA) from the Institute of Chartered Accountants of India, and a Certified Management Accountant, USA.

Suryanarayanan Hariharan
Chief Financial Officer

Mr. Bhaskar Mehta is Chief Risk Officer at the GFH Financial Group, where he brings to his role more than a decade of experience in risk management in the financial services industry, including both private investment and the public markets across the Middle East and other emerging markets. As Chief Risk Officer, he is responsible for the development and implementation of strategies and frameworks that effectively manage all risks associated with the Group's various functions – including Credit, Market, Liquidity and Operational Risk. He serves in several of the Group's executive management level committees and reports independently to the Board Audit & Risk Committee.

Prior to joining the Group, he most recently has served as Head of Risk & Portfolio Analytics at Waha Capital in Abu Dhabi, where he oversaw developing and managing all aspects of governance and risk across the business and its investments.

Previously, Mr. Mehta was at UBS, India acting as a Senior Associate covering the clients for structured products. He was responsible for developing the quantitative & risk models for Fixed income & Rates structuring products. He also worked for Asset managers building the risk management models & advance analytics. He began his career as a Programmer Analyst, BFSI (Banking, Financial Services, and Insurance) Vertical, at Cognizant Technology Solutions, India.

Mr. Mehta is FRM (Financial Risk Management) Certified – GARP and holds an MBA – Finance & International Business, IMT Ghaziabad (India). He also holds an International Diploma in Governance, Risk & Compliance from ICA (International Compliance Association) and has completed the Risk Management for Corporate Leaders program delivered by Harvard Business School Executive Education.

Bhaskar Mehta
Chief Risk Officer

Head of Sharia'a and Corporate Secretary at GFH, Dr. Mohamed Abdulsalam supervises all Group transactions to ensure they are conducted in compliance and in accordance with the teachings of Islamic Sharia. Furthermore, Dr. Abdulsalam assumes the fiduciary duty of maintaining all records, meetings and minutes of GFH's Board and its committees in addition to moderating meetings, and managing all record keeping activities for GFH's project companies. He joined the Group in 2006 with 19 years of Sharia experience. Prior to GFH, Dr. Abdulsalam worked with other Islamic financial institutions in Bahrain. He was a Sharia Auditor at Kuwait Finance House (KFH) and an Internal Auditor at Bahrain Islamic Bank (BisB).

Dr. Abdulsalam obtained his bachelor's degree in Islamic Accounting in 2003 from Al-Imam Mohammed Ibn Saud University. He also holds an MBA in Accounting and Financial Control and a Ph.D. in Accounting from the United States, California. He has also pursued additional qualifications including a Masters of Sharia and Accounting Standards from AAOIFI, courses in Sharia Control Fatwa for Islamic banks as well as successfully completing the third module of the International Arbitration Certificate from Bahrain Chamber for Dispute Resolution (BCDR-AAA) in 2014. Passionate about his field, Dr. Abdulsalam regularly attends specialized courses covering topics such as: Sharia Auditing, Sharia Standards, Sharia Products and many others in order to expand his knowledge of Islamic finance on an ongoing basis.

Dr. Mohamed Abdulsalam
Head of Sharia & Corporate Secretary

Pietro de Libero is Chief Legal Officer at GFH, where he is responsible for the Group's legal activities relating to all general corporate, commercial and financing matters as well as managing relationships with external local and international counsel on issues pertaining to regulation, compliance and litigation.

He is a seasoned lawyer with more than two decades of experience in Europe and the GCC managing, coordinating and executing complex multi-jurisdictional M&A transactions, negotiating joint venture agreements, advising on company law and coordinating intra-group reorganisations.

Prior to joining GFH, Pietro spent 22 years at Baker McKenzie. He began his carrier at the firm's offices in Milan, where he became a partner in 2007. He then relocated to Baker McKenzie's Dubai office, where he served as a partner between 2013 and 2022. During his tenure at the firm, he was a leading member of Baker McKenzie's Corporate and M&A practice and led the UAE's competition law practice.

Pietro graduated summa cum laude from the Law School at Universita' degli Studi di Milano. He is admitted to practice law in England and Wales, Dubai and Italy.

Pietro De Libero
Chief Legal Officer

Baha Al-Marzooq, Chief Internal Audit, has more than two decades of auditing and banking experience. He is supporting the Group's strategic success by ensuring a systematic and disciplined approach to internal control, risk management and governance processes; reporting to the Board Audit & Risk Committee to maintain the internal audit function independency from the Group's management.

Prior to joining the Group in year 2006, Baha has worked with Ernst & Young (EY) – Bahrain, one of the 'Big Four' global auditing firms for several years, as Manager in the Assurance Services during which he also served in other regional offices of EY such as Kuwait, Qatar and Houston Texas – USA. During his tenor with EY, Baha was in charge of auditing a number of clients from different sectors namely Islamic Banks, Conventional Banks, Investment funds, Insurance, Oil & Gas, Hospitality and Government sectors.

He holds a B.Sc. in Accounting from Bahrain University and is a Certified Public Accountant (CPA) California, USA in 2001. He holds an Executive MBA from the University of Bahrain in addition to a number of specialized professional qualifications including, Certified Internal Auditor, Chartered Global Management Accountant and has a Certification in Risk Management Assurance. He has also participated in several technical, business and leadership programs and lately completed the Senior Executive Leadership Program from Harvard Business School.

Baha Al-Marzooq
Chief Internal Audit

Hammad Younas is the Chief Investment Officer – Private Equity and leads the overall investment business of the Group including Private Equity, Corporate Investment and Asset Management. He also serves as a member of the group's management committee. In his role he has led strategic initiatives expanding market share, increasing group's AUM, entering new markets, asset classes and business lines. Hammad has more than 26 years of experience in corporate finance, investment banking, private equity, structured credit solutions, real estate, and asset management, and throughout his career he has led several multi-bn dollar regional and cross-border transactions in MENA, US, Europe and Asia across multiple sectors and asset classes along with a proven track record of exits. His transaction expertise includes mergers and acquisitions, IPOs, listings, secondary offerings, private placements, special situations and debt raising. In addition, he is a growth strategy and business development expert. In his various capacities, he has led the setup of several financial institutions and also served on advisory and executive committees and multiple portfolio companies boards.

Hammad has an in-depth understanding of complex structures across multiple jurisdictions and rolled out regionwide multi-strategy fundraising programs through his significant experience of institutional investor interaction and extensive network of banking, private equity, sovereign and high net worth relationships. Prior to joining GFH in 2016, Hammad was a Partner at Ernst & Young MENA and their Transaction Advisory Leader for Bahrain. He was also the CEO of Ernst & Young Corporate Finance, Bahrain. Hammad spent more than 13 years with Ernst & Young advising a wide range of clients including financial institutions, sovereign wealth funds, private equity and real estate investment firms, governments, family businesses and high net worth individuals on their investment, capital raising, performance improvement, restructuring and strategy.

Hammad is a CFA charter holder from the CFA Institute USA, a fellow member of the Association of Chartered Certified Accountants of the UK, and FCA from the Institute of Chartered Accountants of Pakistan.

Hammad Younas
Chief Investment Officer – Private Equity

Nael Mustafa is the Chief Executive Officer of GFH RE Partners Ltd., the real estate asset management arm of the GFH Financial Group that provides real estate asset management, investment and advisory services. Nael also serves as the Co-Chief Investment Officer – Real Estate of GFH Financial Group, where he is responsible for developing and executing the Group's global real estate investment strategy and oversight of its growing portfolio of assets across the Middle East, Europe and the US. Nael has more than 30 years of experience in investment banking with a proven record in regional and international alternative investments.

Prior to joining GFH in October 2020, Nael spent 17 years at Arcapita in a number of senior positions. Most recently, he was Managing Director for Strategic Investments & Business Development, a Member of the Global Investment Committee and a Board Member of Real Estate Funds and Private Equity. During his tenure at Arcapita, Nael led the Middle Eastern Real Estate platform which oversaw the launch and management of over $1bn of logistics assets funds in the region, served as a member of the global real estate executive committee and help the board membership and active management position in a number of international real estate portfolios and businesses owned by Arcapita. Previously, Nael was the Head of Corporate Finance at SICO Bank in addition to working with BNP Paribas and GM TAIB Securities in Bahrain. Nael is a Charted Financial Analyst and holds a B.Sc in Accounting and Finance from the University of Bahrain and an MBA from Edinburgh Business School.

Nael Mustafa
Chief Executive Officer- GFH Partners Ltd.

Salem Patel is Chief Investment Officer – Debt & Capital Markets, Asset Management for GFH Financial Group. He is responsible for managing the bank's proprietary assets as well as clients' investments in equity and fixed income funds. Salem is also a member of the bank's Management Investment Committee and ALCO. He brings over 21 years of extensive local and international financial industry experience to the Group having previously worked in the Financial Services Division with Accenture in London and prior to this as a Financial Analyst with LongView Partners, London. Salem began his career working in Equity Research at UBS and Societe Generale.

Salem currently holds a number of Directorships including Falcon Cement Company and Roebuck Asset Management. He graduated from the City University Business School in London with a B.S.C (Hons) in Business Studies specializing in Finance and has obtained a number of certifications including: the Islamic Finance Qualification (IFQ) and the Securities and Futures Authorities Registered Representative (SFA). He has also passed all three levels of the Chartered Financial Analyst (CFA) program and recently completed the Senior Executive Leadership Program at Harvard Business School.

Salem Patel
Chief Investment Officer - Debt & Capital Markets, Asset Management

Mr. Nasr is a seasoned professional with more than two decades of experience in the banking industry, where he has honed his skills in the fields of technology and information. Over the course of his career, he has faced numerous challenges, rigorous transformations, continuous innovations, and significant advancements in technology.

Mr. Nasr started his journey in the banking sector as a Senior System Analyst for 3 years, where he demonstrated exceptional technical expertise. He then transitioned into a functional consultant role, one where he served for 7 years and gained valuable experience in providing clients with strategic guidance.

After this, Mr. Nasr took on administrative roles at BisB where he served as Senior Manager, Assistant General Manager, Head of Information Technology, and Chief Information Officer for a total of 14 years. During his tenure, he developed and implemented innovative solutions to streamline operations and enhance client experience.

Mr. Nasr's banking experience has continued to grow, and he now holds newer responsibilities and positions at GFH Financial Group as Group Chief Technology Officer and at Khaleeji Commercial Bank BSC as Chief Technology Officer.

Mr. Nasr holds a bachelor's degree in Computer Science from Isra University and a master's degree in ISM from the University of Liverpool.

Osama Ali Nasr
Chief Technology Officer- GFH Financial Group & Khaleeji Commercial Bank

Majed AlKhan is a renowned businessman who brings more than 22 years of extensive experience in real estate private equity and assets management to Infracorp. He is a recognized financial engineer with more than 1 mn square meters of completed flagship developments under his leadership.

Majed's objective is to lead Infracorp to be recognized as one of the key international groups specializing in developing and investing in sustainable social infrastructure projects through creating a platform whereby stakeholders can achieve wealth optimization. Majed chairs and holds a number of directorships including Gulf Holding Business (GHC), Falcon Cement B.S.C., Balexco B.S.C., and ASK Real Estate W.L.L., Tunis Bay Project Company and Royal Parks Marakesh.

Majed holds a B.A. (with honors) in International Finance and Accounting from Newcastle's Northumbria University at Newcastle, England and had taken executive roles in HSBC Middle East and Inovest Bahrain prior to joining Infracorp.

Majed Abdulla Al-Khan
Chief Executive Officer- Infracorp

Razi Almerbati is the CEO of GFH Capital S.A. and the Group Chief Placement Officer of GFH Financial Group. He brings to his role more than 20 years of banking and finance experience including a significant track record in Islamic investments and advisory. His areas of expertise include private banking and wealth management as well as private equity. Before joining GFH, Razi was the Head of Investment Development & Distribution for the GCC region at The First Investor in Qatar, a subsidiary of Barwa Bank. Prior to that, he was the Regional Director of the Investment Advisory Group of Abu Dhabi Investment House.

Razi is currently a board member of Esterad Investment Company and the Chairman of the board's Audit & Risk Committee (ARC).

Razi Almerbati
Chief Executive Officer- GFH Capital S.A.

Fatema Kamal is the Chief Executive Offer at Britus Education and is an Executive Director at GFH Financial Group ("GFH or the Group"), leading on the Group's education investments. She has played an instrumental role in the operational transformation of the British School of Bahrain and other education assets in GFH's portfolio. Fatema has 21 years of working experience and a strong track record of sourcing, structuring, advising and managing private equity. She has in depth field experience in the financial sector specializing in investment structuring, strategic and organizational planning, tax structuring oversight, Sharia product structuring, joint venture negotiation, business development and project management.

Prior to joining GFH, Fatema was holding the position of Senior Executive Director of Investment Banking in Global Banking Corporation BSC. She also worked as an auditor with KPMG Bahrain. Fatema holds a master's degree with honors in Business Administration from the University of Strathclyde, Glasgow, United Kingdom, and a bachelor's degree in accounting with honors from the University of Bahrain. Fatema is also a qualified and licensed CPA from The American Institute of Certified Public Accountants, and CIA from The Institute of Internal Auditors.

Fatema Kamal
Chief Executive Officer - Britus Education

Muneera Isa, Head of Human Resources (HR), manages employee strategies, organizational development, talent acquisition, succession planning, leadership development, talent retention, career planning and progression, objectives and performance management, training, compensation, benefits and rewards, ESG, organizational culture, change management and employee experience in addition to regulatory compliance, policy making and the overall implementation of the HR strategy for the group. Muneera is a seasoned HR professional, bringing the strength of more than 21 years of extensive experience to the Group having worked with regional and international financial institutions in the Kingdom of Bahrain including Bahrain Mumtalakat Holding Company, Capivest and BNP Paribas.

She holds a bachelor's degree in English Literature from the University of Bahrain, a CIPD Level 5 Diploma in Human Resource Management from the Chartered Institute of Personnel and Development (CIPD), and a master's Certificate in Human Resource Management from the Society for Human Resource Management (SHRM).

Muneera Isa
Head of Human Resources

Mariam Jowhary joined the Group in late 2019 as Head of Compliance and AML, responsible for establishing and maintaining a robust and effective compliance and corporate governance framework across the Group that complies with regulatory requirements and industry legislation. She works closely with the CEO and other members of the Group's executive management and reports independently to the Board Audit & Risk Committee.

Mariam is also responsible for ensuring compliance with the rules and regulations of the CBB, the Bahrain Bourse, the Dubai Financial Market, Abu Dhabi Securities Exchange, the UAE Securities and Commodities Authority, the Boursa Kuwait and the Kuwaiti Capital Markets Authority. Leveraging 19 years of professional experience, she has significant expertise in the field of compliance and has previously worked with Central Bank of Bahrain for more than 14 years. She holds a B.Sc. in Banking and Finance (with honors degree) from the University of Bahrain, Advanced Islamic Banking Diploma from BIBF, as well as APRM & CIPA Certifications.

Mariam Jowhary
Head of Compliance & AML

Osama Janahi is the Head of Information Technology. He has more than 21 years of experience with an exceptional business understanding and excellent project management skills, who provides leadership, vision, direction, and management to the entire IT department including application, development, and infrastructure teams. Responsible for anticipating future needs and delivering enhanced solutions across all departments and subsidiaries. Customer orientated and capable of driving change through tracking, vetting and implementing creative and modern technology solutions that is relevant to the industry, security, efficiency and the business. A strong believer that IT should partner with business to improve productivity and efficiency of the organization.

Mr. Janahi holds a B.Sc. in Computer Science from the University of Bahrain along with other IT technical and non-IT professional certification like CISA, ITIL, Oracle, and others. He has some specific banking business and accounting knowledge which he gained through his work in Al Baraka Bank and Arthur Anderson.

Osama Janahi
Head of Information Technology

Mohammed Abdulmalik, Head of Placement Management, Placement & Relationship Management, and Head of Qatar Market, shapes and implements placement strategies and develops business models designed to capitalize on current market dynamics and potentials. In addition to managing the placement function of the Group, he is currently a Board Member of Capital Real Estate Projects and Sheffield Private School.

A well-versed investment banker, Mohammed brings 23 years of industry experience, having held a number of roles both within GFH, where he leveraged his extensive network of HNWI, FI's and Sovereign Wealth Funds to market Group products and services and contribute to the investment placement business. Prior to joining the Group, he held a number of roles in financial control and auditing with Arthur Anderson, Ernst & Young, and HSBC. He holds a B.Sc. in Accounting from the University of Bahrain.

Mohammed Abdulmalik
Head of Placement Management (Qatar Market Head)

Ahmed Jamsheer is the Head of Treasury & Capital Markets, where he is managing the Groups investments in fixed income, equities and structured products while continuing his responsibility to manage liquidity, cash flow and debt financing. Ahmed brings to his role more than 16 years of diverse experience in investments which includes managing direct and complex financial products, alternative investments, special situations, debt capital, derivatives, asset management, restructuring, private equity and real estate.

Prior to joining the Group in 2016, he spent six years at Promoseven Holdings as Head of Investments and Finance, managing the company with an annual turnover of more than US$1bn. Previously, he held other executive management roles at Fortuna and other regional corporations relating to investments and hedge funds.

Ahmed holds a Master of Science in Finance with high distinction and a Bachelor of Science in Finance with honors from Bentley University, Waltham, MA, U.S.

Ahmed Jamsheer
Head of Treasury & Capital Markets

Yazen AlKhudairy is the Managing Director of Financial Institutions & Sovereign Coverage at the GFH Financial Group, responsible for developing and implementing the Group's strategy in its target regions - with a primary focus on the MENA region - and establishing and maintaining relationships with regional and global banks and asset managers.

In addition to being in-charge of managing the Group's relationships and continuously refining its approach to serving financial institutions, sovereign wealth funds and investment companies, also a Partner and Member of the Board of Advisors for GigaNet, Darvis and AgAu.

As a seasonal investment banker with more than 24 years of experience working across key areas of the industry including Treasury, Investment Banking and Private Equity.

Prior to joining GFH in April 2021, spent seven years as Head of Financial Institutions and Sovereign Coverage for Societe Generale Bank in Saudi Arabia. Previously held several senior roles at regional, international banks and corporates in Saudi Arabia. This includes serving as a Head of Treasury at Deutsche Bank AG and Head of Islamic & Treasury Division at Al Rajhi Bank.

Started the career with roles in the Treasury and Investment Divisions at Saudi British Bank, Saudi French Bank, Saudi Hollandi Bank and STC.

Holder of a BSc in Finance from King Fahad University of Petroleum & Minerals - Dhahran, Saudi Arabia and graduated with Dean's Honours.

Yazen AlKhudairy
Managing Director - Financial Institutions & Sovereign Coverage

Ebrahim Alshaibeh is a Senior Executive Director in the Placement & Relationship Management team, responsible for the Jeddah & Eastern Province markets. Prior to that, he was the Chief Business Development Officer in the Group's subsidiary, GFH Properties.

Alshaibeh also served 5 years in Omniyat, a Dubai based Real Estate Development Company which developed high end offices, residences and hotels in Dubai. In addition, he spent most of his professional career as an Investment Banker with approximately 14 years of experience.

He holds a Diploma in Accounting and Bookkeeping from University of Cambridge, U.K. and Level 1 qualification from Association of Accounting Technicians (AAT). Most recently, he completed two Senior Executive Leadership Programs from Harvard Business School in 2018 and 2019.

Ebrahim Alshaibeh
Senior Executive Director
(Jeddah & Eastern Province market Head)

Osama Alharam is an Executive Director, Placement & Relationship Management for GFH, where he is primarily responsible for bringing the Group's unique investment opportunities and managing ongoing relationships with institutional and high net worth clients in the Bahrain market. Most recently, he was responsible of the Kuwait market. He brings more than 26 years of diverse experience in investments, strategy and management to his role. Prior to joining GFH, he was a Principle for the Kuwait market with Arcapita for over 11 years, managing the firm's placements and relationships.

Previously, he held senior roles Saudi Bahraini Transport Co & Bahrain Limo, AlBassam Group of Companies and PricewaterhouseCoopers, Bahrain & Saudi Arabia.

Osama holds a bachelor's degree in Business Administration & Marketing Analysis from Fort Lewis College, Durango, Colorado.

Osama Alharam
Executive Director
(Bahrain Market Head)

Khaled Basri is an Executive Director in the Placement & Relationship Management at the GFH Financial Group. He is responsible for implementing the Group's investment relationship management and marketing strategies and the meeting of targets for the sale of the Group's products and services. He focuses primarily on identifying, establishing and maintaining strong relationships with prospective and existing clients. Khaled brings nearly two decades of regional and international experience in finance and investment to the role across both conventional and Islamic markets.

Prior to joining GFH in 2018, Khaled served most recently as an Executive Director and Member of the Investment Committee at ADCORP where he oversaw client relationships and worked in close collaboration with the Investment Department in sourcing, structuring and the analysis of deals. Previously, he was a Senior Vice President, Client Coverage & Investment Banking at ADS Securities and a Senior Manager of Investments at Baniyas Investment & Development Company. Khaled has also held a number of other investment roles at European Islamic Investment Bank Plc and Esterad Investment Company BSC.

Khaled is a Chartered Financial Analyst and holds an Undergraduate (Honours) Degree from North Umbria University, Newcastle in Management (Newcastle Business School).

Khaled Basri
Executive Director
(UAE & Oman market Head)

Mr. Mazin brings to his role more than 23 years of experience in investment and retail banking, corporate finance, capital markets and currently is an Executive Director of Placement and Relationship Management for GFH Financial Group.

He is responsible for overseeing the placement of the Group's financial products and investments in the Kuwait market. Mr. AlGhareeb is also a Board Member of Gulf Holding Company, a real estate development subsidiary of GFH, and formally served as a board member representing GFH Group Gulf North Africa, Injazat Technology Fund, and Bashaer Equity Fund.

Having joined the Group in 2010, he has served GFH and its wholly owned investment banking subsidiary, GFH Capital, in a number of senior capacities. This includes Head of Capital Markets and Executive Director in the placement & wealth management department. He was also Group Head of Treasury & Capital Markets between 2013 and 2018.

Previously, Mr. AlGhareeb was Regional Head of Wealth Management at GBCORP, worked in Corporate Relationship Management at Shamil Bank (Formally Faisal Islamic Bank) and began his career in 1999 with HSBC Bank Middle East. He holds a Bachelor of Business Administration degree from Saint Edward's University in Texas, USA.

Mazin A. Rahim AlGhareeb
Executive Director,
(Kuwait Market Head)

Hugh is Co-Founder and Managing Partner of Roebuck Asset Management and has jointly led the company since inception in 2009. Hugh is responsible for the overall investment strategy of Roebuck.

Hugh is an expert in UK and European capital markets, primarily in the logistics and office sectors and has transacted in excess of €3.25 bn. He has extensive knowledge of, and key relationships, with investors, occupiers, developers and lenders, active across all of Roebuck's target investment markets.

Before founding Roebuck Hugh worked for BNP Paribas Real Estate in the Logistics Capital Markets team, advising a variety of institutional clients on buy/sell investment and development opportunities.

Hugh has 17 years experience in investment and asset management having commenced work in 2005 and is a fully qualified member of the Royal Institution of Chartered Surveyors.

Hugh holds a BA History in University of Newcastle & MSc Property Valuation & Law from Cass Business School, London

ROEBUCK ASSET MANAGEMENT

Hugh Macdonald-Brown
Managing Partner

Nick is co-founder and Managing Partner of Roebuck Asset Management and has jointly led the company since inception in 2009. Nick is primarily responsible for the management of all real estate transactions and corporate operational matters.

Nick has extensive experience in undertaking and structuring complex transactions in both the UK and Europe with a wide range of institutional capital partners. Nick also oversees all tax and corporate structuring during pre-acquisition due diligence and post closing. Over his career he has transacted more than €2.75 bn, predominantly in the logistics and offices sectors.

Before founding Roebuck Nick worked for a private investor and before that Cluttons LLP, where he worked in investment valuation and asset management where he gained significant transactional experience in the UK and Europe.

Nick has 17 years experience in investment and asset management having commenced work in 2005 and is a fully qualified member of the Royal Institution of Chartered Surveyors.

Nick holds a BA Geography in University of Newcastle & MSc Property Valuation & Law from Cass Business School, London

ROEBUCK ASSET MANAGEMENT

Nick Rhodes
Managing Director

Jason is the Founder and Managing Partner of Big Sky Asset Management. He has spent his career exclusively in the healthcare real estate industry and is a well-established thought leader in the medical office and senior living sectors. Jason began his career as a civil engineer designing hospitals in Nashville, Tennessee. After graduate school, he ventured into medical office development and found his niche organizing physicians into real estate partnerships. Since then, he has developed or acquired over seven mn square feet of healthcare real estate in 24 states valued in excess of $2 bn. Jason follows a hands-on approach capitalizing on his deep understanding of the underlying drivers of value.

Prior to starting Big Sky, Jason founded Caddis Partners, LLC in early 2008 and was its CEO, largest shareholder, and sole managing partner from its inception until May of 2020. During his tenure, Jason grew Caddis from a small boutique developer to one of the largest Healthcare Real Estate platforms in the United States.

Jason graduated with a BS in Civil Engineering from Texas A&M University and an MBA with honors from Southern Methodist University.

BIG | SKY MEDICAL

Jason L. Signor
Founder and Managing Partner

Andy founded Student Quarters in 2013 and has led the firm as President & CEO since its inception.

Under Andy's leadership, the company has assembled a portfolio of over 9,000 beds and is now recognized as one of the leaders in the student housing sector. Andy's primary responsibilities include building the Student Quarters' team and raising capital. In addition, Andy serves on both the Investment Committee and Board of Directors.

Prior to starting Student Quarters, Andy was a Senior Vice President at Carter (2009–2012), and a Vice President at Holder Properties (2001–2008). Andy also spent four years as a Project Leader at The Boston Consulting Group, before getting into real estate.

Andy earned a Bachelor of Science in Commerce from the University of Virginia in 1992, and a Master of Business Administration (MBA) from the Darden School of Business at the University of Virginia in 1997.

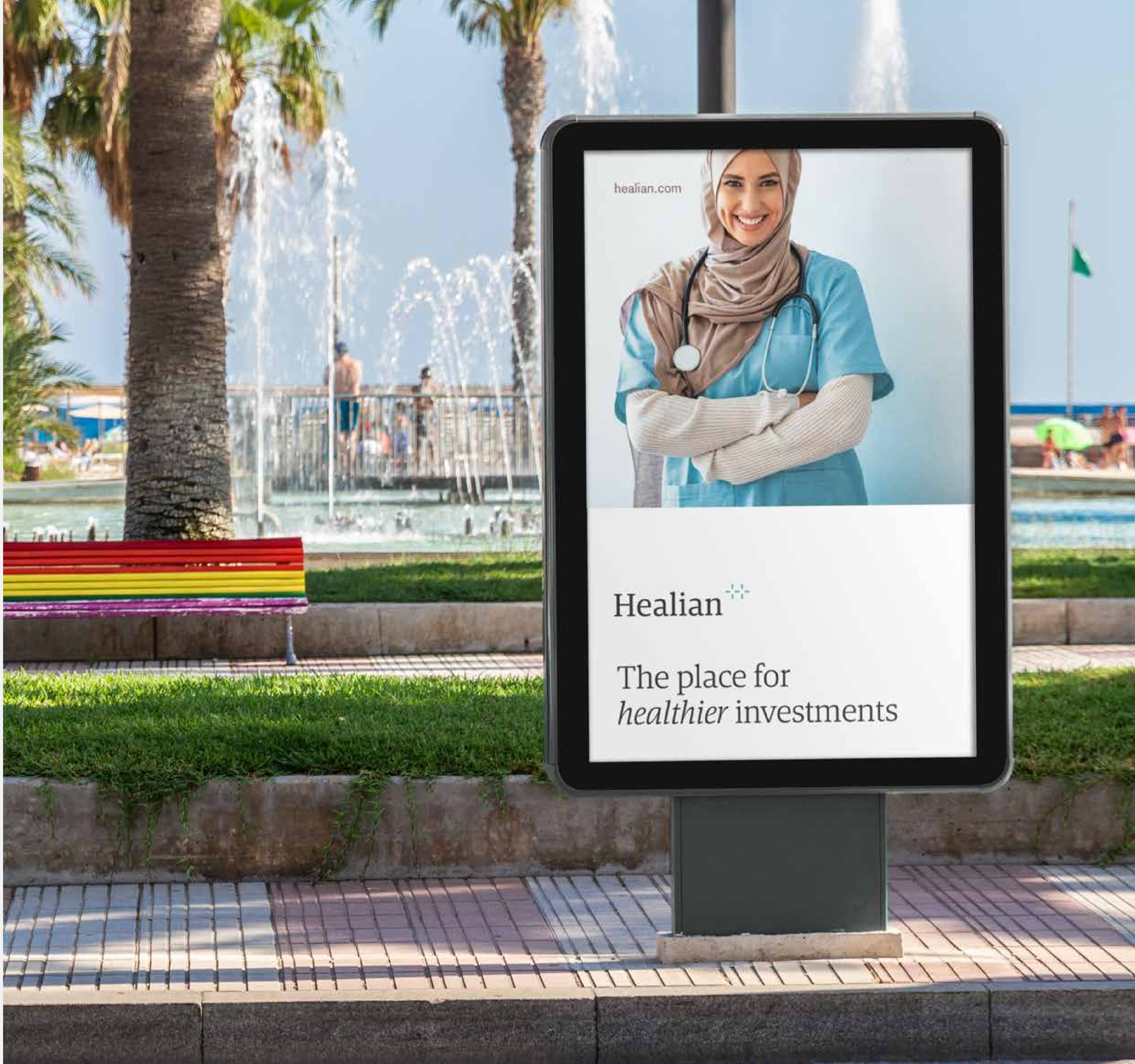
STUDENT QUARTERS

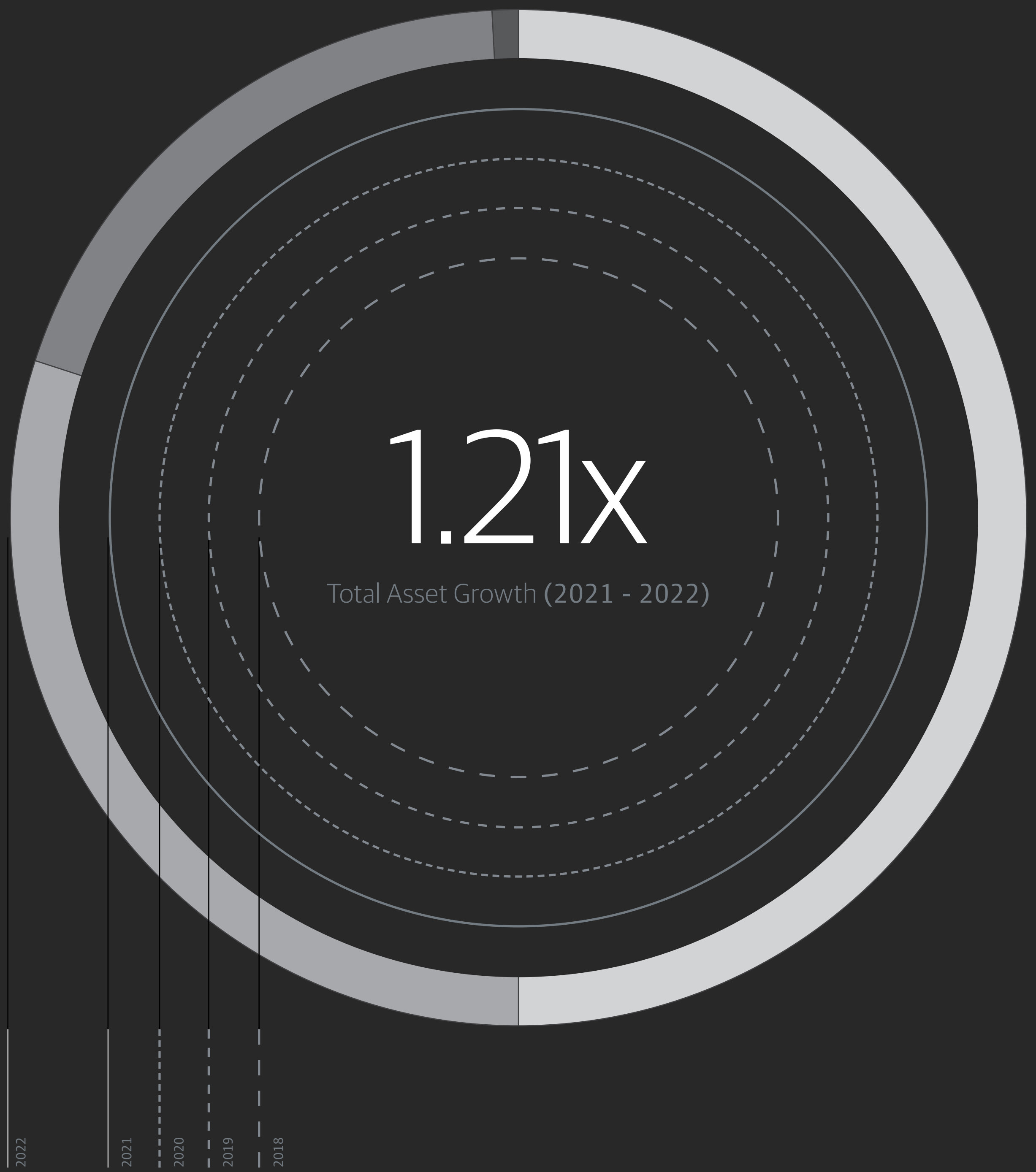
Andy Feinour
President & CEO

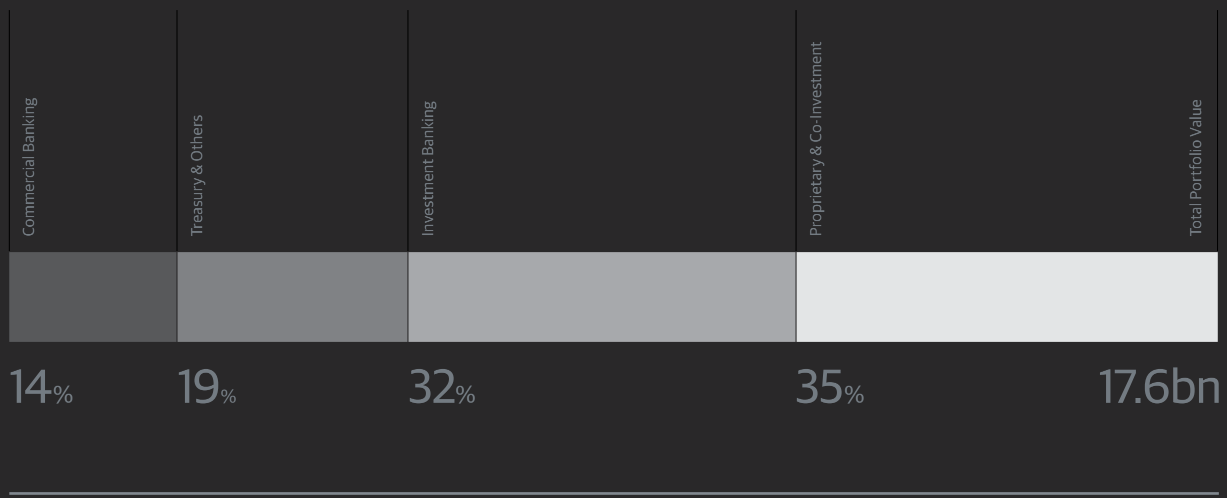
Dr. Mohamed is the CEO of Healian Healthcare platform, fully owned by GFH Financial Group. In addition to that, Dr. Manasra established and founded Trust Vision Group in 2017. He is a veteran doctor with over 20 years of experience in medicine including 16 years in conceptualizing, developing, operating and successfully exiting healthcare businesses in Abu Dhabi, Al Ain and Western Emirates region. Prior to founding Trust Vision, he worked in partnership with Al Noor Hospital in 2013 and with Medi Clinics Hospital Group in 2016.

Healian

Dr. Mohamed Manasra
CEO - Healian Healthcare Platform







The positive trend of the last 5 years continues with our highly diversified portfolio experiencing continued expansion across all our business lines.

Financial Trend Summary

442

$(US) 442 mn

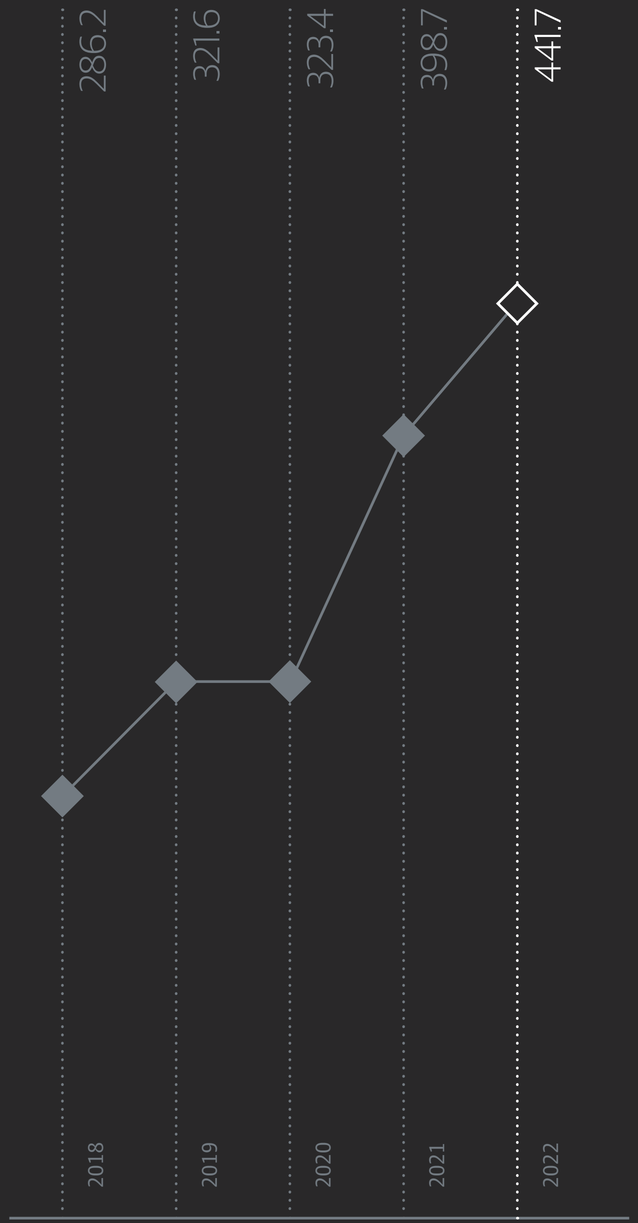
Consolidated revenue in 2022

17.6

$(US) 17.6 bn

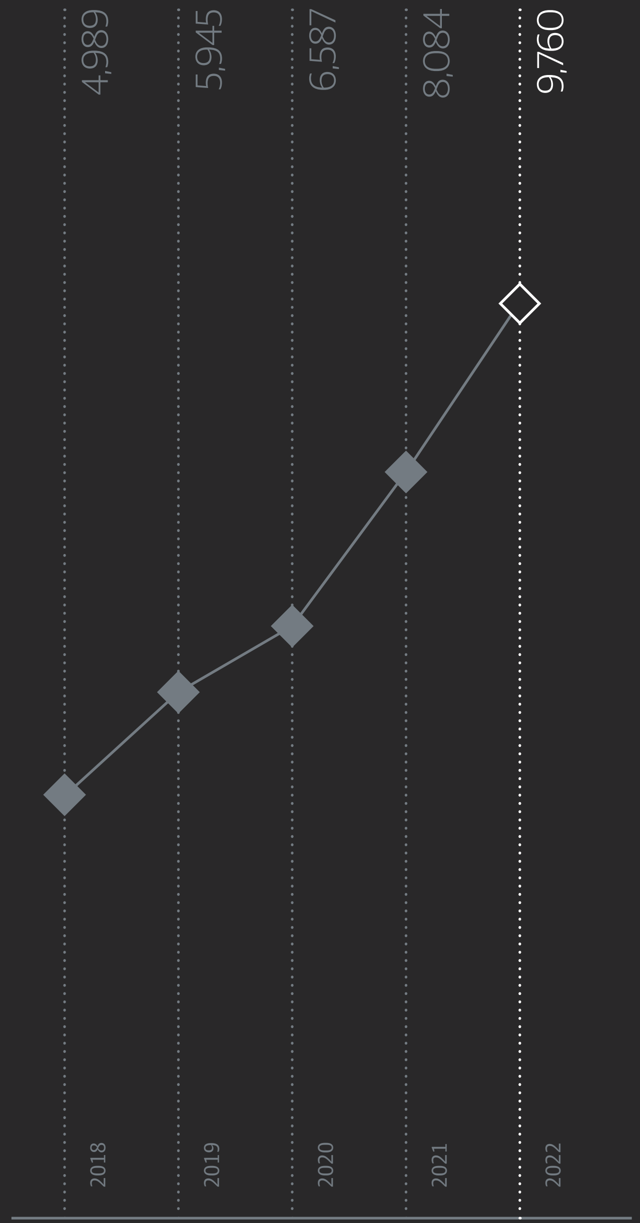
Assets and Funds Under Management

GFH Financial Group enjoys strong liquidity, capital and assets position, with a 31% growth in liquid assets during the year. Total Assets and Funds under Management of the Group also grew by 17% in 2022 to around $17.6 bn. With a 9.1% Return on Equity and 59% Cost to Income Ratio, GFH delivers value to investors and shareholders whilst ensuring organizational efficiency.



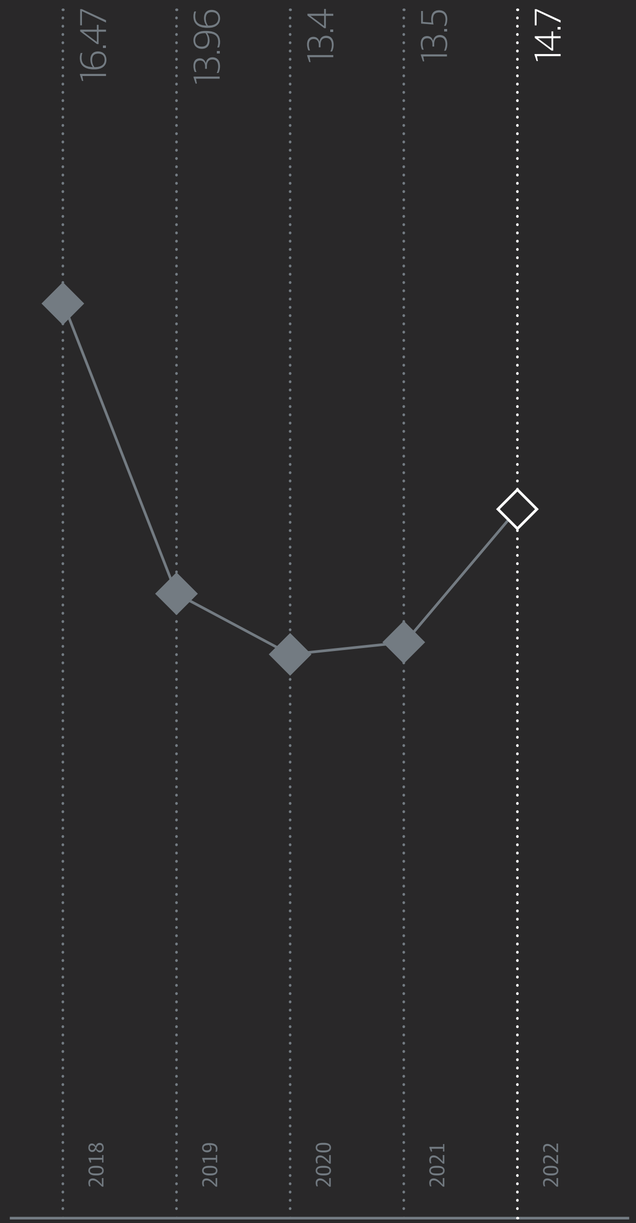
Turnover
Trending up by
10.7%

Total Turnover Grew from $286.2 mn to $441.7mn



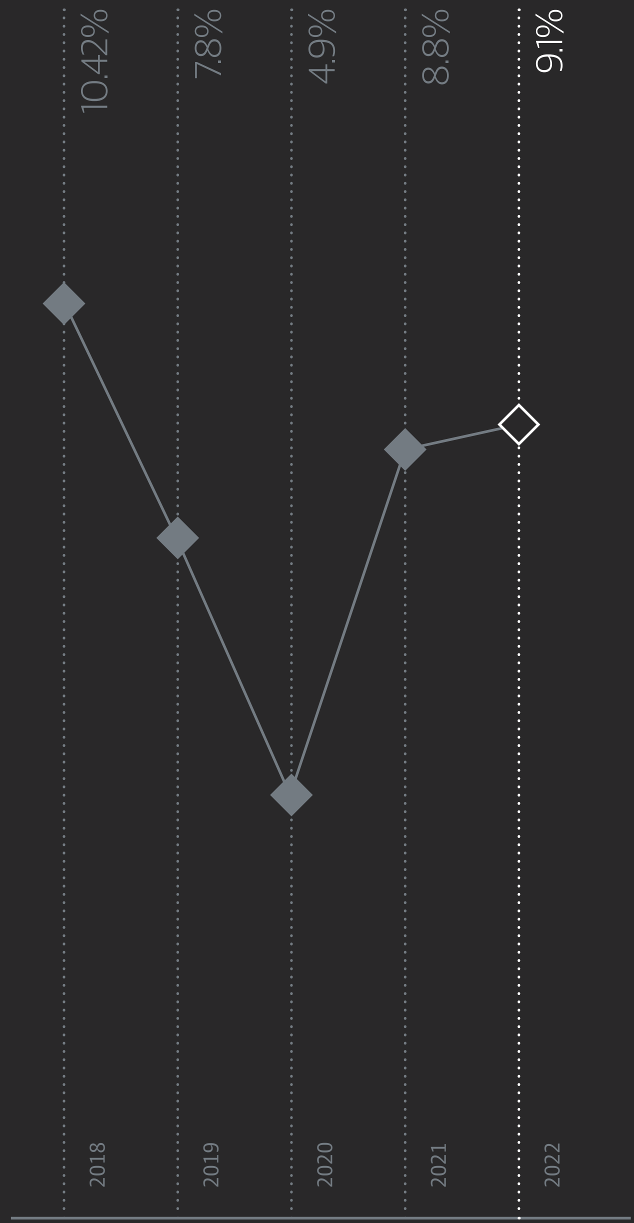
Assets
Trending up by
20.7%

Total Assets Grew from $8,084bn to $9,760bn



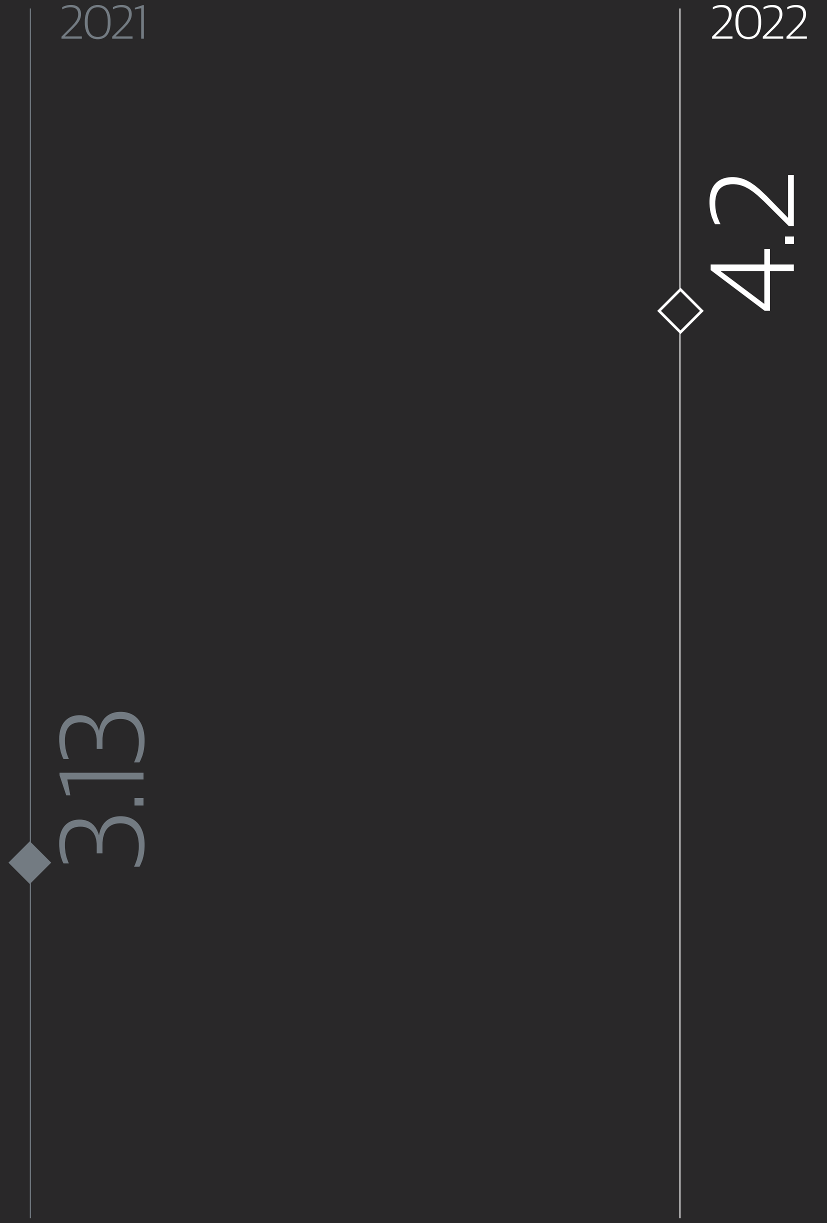
Capital Adequacy
Trending up by
8.8%

Capital Adequacy provision trended positively by nearly 9%.



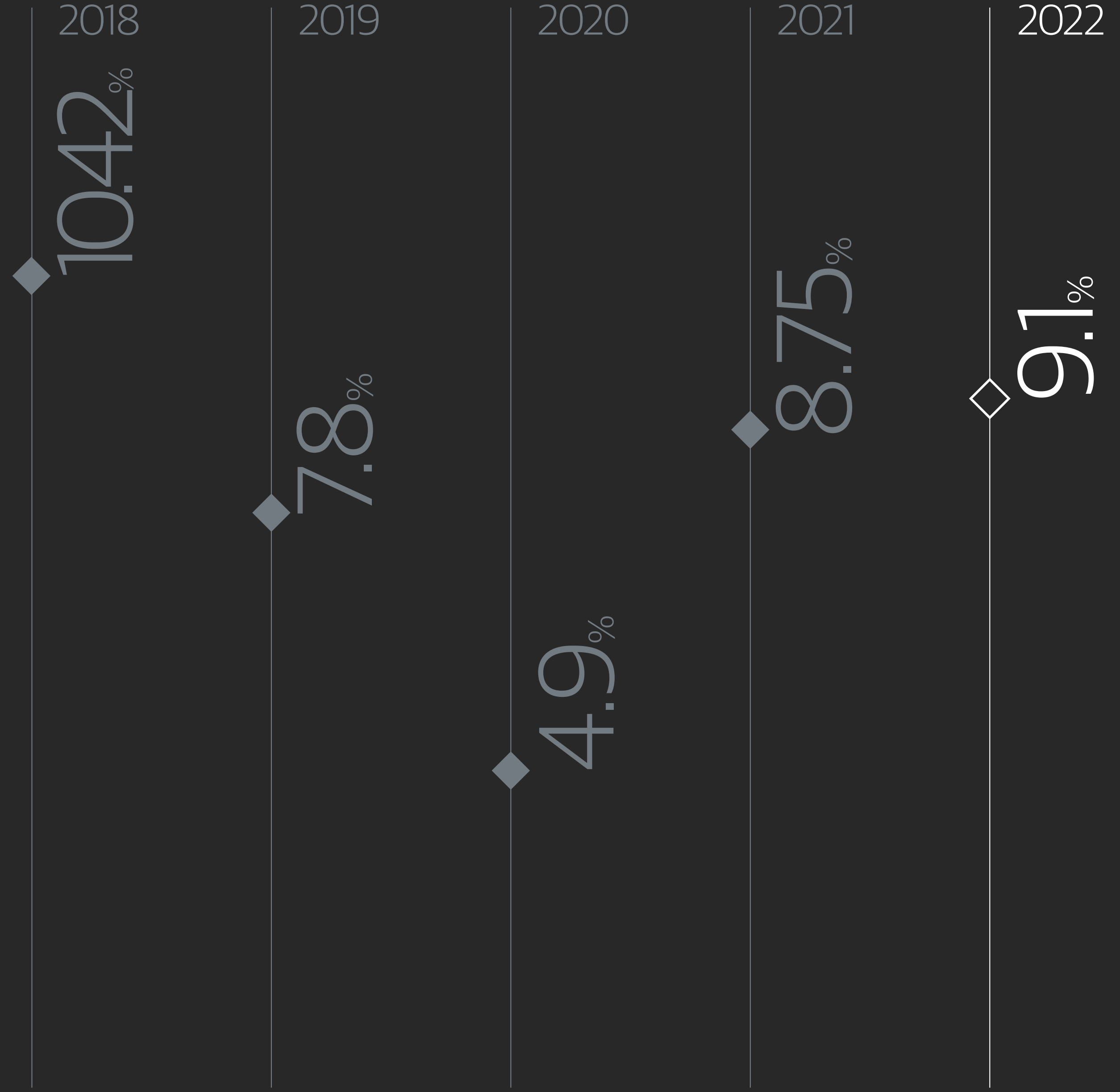
Return on Equity
Trending up by
3.4%

Total Return on Equity Grew from 8.8% to 9.1%



Treasury Portfolio
Trending up by 34.5%

The Group's Treasury Portfolio has seen a strong upward trend over the last four quarters, increasing its strength by nearly 35%, a solid contribution to overall GFH's performance.



Return on Equity
Trending up by 4%

Over the last 12 months, the Group's Return on Equity has experienced a positive upward trend with an increase of 4% in the last 12 months.

With reference to the previous disclosure issued by GFH Financial Group on February 9, 2023 in relation to the results of the Board of Directors meeting and approval of the annual audited financial statements for the fiscal year ended on December 31, 2022, we would like to note that the Board has taken a decision to reduce the remuneration of the members of the Board of Directors from USD 1.5 mn to USD 1.2 mn, and hence the table presented in the Chairman's report will be revised as follows:

US$ 000's

	Fixed remunerations				
Name	Remunerations of the chairman and BOD	Total allowance for attending Board and Committee	Others	Total	Aggregate amount (Does not include expense allowance)
First: Independent Directors					
Alia Al Falasi	-	56,409	-	56,409	56,409
Ghazi Faisal Ebrahim Alhajeri	75,400	107,540	-	182,940	182,940
Fawaz Al Tamimi	56,550	57,540	-	114,090	114,090
Ali Murad	56,550	55,278	-	111,828	111,828
Ahmed Al Ahmadi	-	26,885		26,885	26,885
Edris Mohd Rafi Mohd Saeed Alrafi	65,975	58,294		124,269	124,269
Darwish AlKetbi	56,550	54,901		111,451	111,451
Yousif Abdulla Taqi	28,275	27,639	-	55,914	55,914
Second: Non-Executive Directors:					
Jassim Alseddiqi	-	377	-	377	377
Rashed Alkaabi	56,550	58,370	-	114,920	114,920
Third: Executive Directors:					
Hisham Alrayes	56,550	55,278	-	111,828	111,828
Total	**452,400**	**558,511**	**-**	**1,010,911**	**1,010,911**

In addition, the Sharia Supervisory Board (SSB) has also provided their decision to direct the responsibility of paying Zakat to the shareholders, instead of the Bank. Accordingly, SSB Report and appropriation mentioned in Note 18 of the financial statements have been revised to following, respectively:

- 4. Zakah was calculated according to the Islamic Sharia rules and principles, by the net assets method. It is to be noted that the responsibility of paying Zakah lies on the Shareholders of the Bank.
- To allocate an amount of US $ 1,000,000 to civil society organisations

Subsequent revisions to certain disclosures included within the published Financial Statements and Corporate Governance Report for the year ended 31st December 2022

Subsequent Revisions

Ghazi Faisal Ebrahim AlHajeri
Chairman
GFH Financial Group

Despite widespread and continued economic turbulence across global financial markets, I am pleased to report that GFH Financial Group's performance has built upon its established upward trend. 2022 has proven to be a year of expansion in its operations, finance & geography.

Chairman's Report

7.2

Percent

The Group reported net profit attributable to shareholders of US$90.3 mn compared with US$ 84.2 mn for the previous year, an increase of 7.2%.

10.8

Percent

The Group's total consolidated revenues was US$441.7 mn compared with US$398.7 mn in 2021, reflecting a year-on year increase of 10.8%

Dear Shareholders,

On behalf of the Board of Directors of GFH Financial Group, I am pleased to present the Group's financial results for the fiscal year ended 31 December 2022. While 2022 had initially been penned a year of global economic recovery, an unpredictable geopolitical landscape and strong macroeconomic forces threatened to push major economies into recession.

GFH in 2022 successfully mitigated the impact of the Ukraine crisis, inflation, and market volatility by implementing the same robust model that saw the Group through the COVID-19 pandemic. Following a strategy of long-term, sustainable growth, GFH was able to consolidate its position while also expanding its global footprint, placing the Group in good stead for what could be a turbulent year ahead.

Building on 2021, in which we achieved remarkable growth in profits and income, we continued to demonstrate resilience, diversity, and agility during 2022. Our strength was reflected across verticals, including our investment banking, commercial banking, asset management and treasury business lines.

Our diverse investment portfolio, which spans the GCC, UK, Europe and the US, also continued to perform robustly, with our strategy of targeting defensive, recession-proof sectors once again proving its effectiveness in creating value for investors and shareholders in the face of significant headwinds.

With a stable platform from which to build, GFH was able to expand into global markets through acquiring new portfolios and majority stakes in several leading asset managers. The acquisitions will help the Group to unlock significant value in some of the most promising and resilient sectors in the US and Europe, exposing investors to a raft of opportunities.

As a result of our strategic manoeuvres in 2022, we maintained our sustainable, 22-year-long growth trajectory by enhancing profits and increasing income. The Group's total consolidated revenue was US$441.7 mn compared with US$ 398.7 mn in 2021, reflecting a year-on-year increase of 10.8%. This growth was due to the success of our business lines and the steady income generated from our investment portfolio as well as strategic exits. Investment management, proprietary, co-investment and treasury activities were all valuable revenue streams in 2022, with the Group actively seeking new income yielding opportunities and ways to maximise value from existing assets.

The Group reported a consolidated net profit of US$97.7 mn in 2022 compared to US$92.6 mn from the previous year, reflecting an increase of 5.5%, and a net profit attributable to shareholders of US$90.3 mn compared with US$ 84.2 mn for the previous year, an increase of 7.2%. The Group's total assets for the year grew from US$8.1 bn in 2021 to US$9.8 bn in 2022, an increase of 21%. The Group's Total Assets and Funds Under Management (AUM) increased from $15 bn in 2021 to around US$17.6 bn in 2022, marking a year-on-year increase of 17.3%. The Group also ended the year with a Capital Adequacy Ratio of 14.73% and a Return on Equity (ROE) ratio of ~9%.

One of the positive reflections of our robust performance in 2022 was a reduction in our credit risk profile, which has continually improved over the last few years. Despite significant market volatility, the Group has been able to command a stable and positive position owing to strong liquidity and increasing diversity across asset classes and geographies. Consequently, GFH's long-term issuer credit rating was raised by S&P Global Ratings to 'B' from 'B-', with a stable outlook. At the same time, the agency also raised the credit ratings on sukuk issued by GFH Sukuk Company Ltd to 'B' from 'B-'.

The Improved ratings were partly due to continued revenue resilience over the 2020-2022 period as well as an improvement in ROE to ~9% over the twelve month period ended 31 December 2022. Despite pressure on the Group's treasury activities from rising interest rates in 2022, GFH was able to deliver good investment banking revenue, building on its real estate specialisation in Europe and the US as well as steady commercial banking performance after a restructuring in 2020. The stable outlook indicates that GFH is well placed to reduce its exposure to real estate assets while maintaining moderate capitalisation in the near-term.

We are proud of the confidence ratings agencies and shareholders have consistently shown in GFH. We are equally proud of the milestones we achieved in 2022 which have improved our overall position and prospects, such as introducing new innovative and Sharia-compliant products. For instance, the Group launched and seeded a $100 mn sukuk fund which holds a diversified portfolio of sukuk to provide attractive financing and fund administration services.

Additionally, Infracorp, the infrastructure and sustainability arm of GFH, issued a $900 mn sukuk on London Stock Exchange, marking the first-ever green sukuk issued by a Bahraini entity. The landmark transaction reflects Infracorp's strategy to accelerate the growth of sustainable infrastructure development across MENA and South Asia regions, while generating long-term returns for investors and adding lasting value to communities. The issuance builds on the Group's sustainability roadmap which aims to position Infracorp as the region's pioneer in sustainability investments.

We also made several important enhancements internally in line with our ESG commitment. In 2022, we formed the ESG Committee, a management level body representing internal departments to oversee the implementation of our ESG strategies. Also, in efforts to develop further the integration of ESG into our investment decision-making processes, a thorough assessment was exercised via external consultants to bridge policy and procedure gaps, and identifying the most significant ESG key topics that impact GFH's business performance in the future. This was developed to be an essential part of our annual disclosures, to provide a significant value for all our stakeholders, including the communities within which we operate.

As part of its commitment to value creation, GFH sought to further expand its investor base and enhance liquidity in its shares. The Group achieved this through listing on the Abu Dhabi Securities Exchange (ADX), marking GFH's fourth regional listing, with shares also traded on the Bahrain Bourse (BHB), Dubai Financial Market (DFM) and Boursa Kuwait (BK). Not only has the listing boosted liquidity and investor mix, but it has also helped to ensure the highest levels of disclosure and transparency for the benefit of our shareholders.

Despite tough market conditions in 2022, investor sentiment remained buoyant, with many investors keen to deploy capital at a time when asset valuations underwent a correction. In the twelve months ended December 2022, the Group successfully raised more than US$3.54 bn across its investment banking and treasury business lines. As a result of our robust performance, the Board has recommended a total cash dividend of 6% on par value for our shareholders.

Additional board recommendations were discussed and raised as part of the Group's Annual General Meeting (AGM), which took place on 03 April 2022. Shareholders ratified and approved a total dividend distribution of $60 mn. The dividend includes cash profits for all ordinary shares, save for treasury shares at 4.57% of the nominal value of the share (equal to $0.0231 per share, BD0.004562, AED0.0444), equal to $45 mn. The recommendation also includes bonus shares of 1.5% of the nominal value of all the ordinary shares (one share per 66.71 shares), equal to $15 mn.

As we enter 2023, we are buoyed by our performance in 2022 as well as our proven ability to pivot and adapt during economic downturns. Our elevated position will enable us to navigate the challenges 2023 could bring and continue creating value, capitalising on opportunities and accelerating growth.

On behalf of the Group's Board of Directors, I wish to extend our sincere gratitude to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and Prime Minister. Their vision and leadership have created an enabling environment that provides a stable and robust foundation for Bahrain's leading financial sector. I would also like to note our appreciation of the Central Bank of Bahrain and the Government of the Kingdom of Bahrain, which have facilitated the rapid growth of Bahrain as a leading regional hub for innovation, fintech and Islamic finance. And of course, I wish to sincerely thank our investors and shareholders for believing in our vision, joining us on our journey of growth and demonstrating continued faith and confidence in our model.

Finally, I wish to congratulate GFH's team on their remarkable achievements in 2022, which have paved the way for another successful year ahead. The commitment and efforts of management and employees across the Group and its subsidiaries have enabled collective value creation that we can all be proud of. Further, the Board of Directors has played a critical role in GFH's growth in 2022, helping to shepherd the Group through uncharted waters.

We are pleased to attach the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31 December 2022.

First:

Remuneration of the Board of Directors

Name	Fixed remunerations				
	Remunerations of the Chairman and BOD	Total allowance for attending Board and Committee	Others	Total	Aggregate amount (Does not include expense allowance)
First: Independent Directors					
Alia Al Falasi*	28,275	56,409	-	84,684	84,684
Ghazi Faisal Ebrahim Alhajeri	113,100	107,540	-	220,640	220,640
Fawaz Al Tamimi	56,550	57,540	-	114,090	114,090
Ali Murad	56,550	55,278	-	111,828	111,828
Ahmed Al Ahmadi	28,275	26,885	-	55,160	55,160
Edris Mohd Rafi Mohd Saeed Alrafi	84,825	58,294		143,119	143,119
Darwish AlKetbi	56,550	54,901		111,451	111,451
Yousif Abdulla Taqi	28,275	27,639	-	55,914	55,914
Second: Non-Executive Directors:					
Jassim Alseddiqi*	-	377	-	377	377
Rashed Alkaabi	56,550	58,370	-	114,920	114,920
Third: Executive Directors:					
Hisham Alrayes	56,550	55,278	-	111,828	111,828
Total	**565,500**	**558,511**	-	**1,124,011**	**1,124,011**

** These directors resigned during the year 2022.*

Notes:

1. *All amounts in Bahraini Dinars..*
2. *The Bank does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.*
3. *Salaries and other benefits in their capacity as employee is reported in second table below.*

Board remuneration represents allocation of proposed remuneration for 2022 subject to approval of the Annual General Meeting.

Second:

Remuneration of the Board of Directors

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Remunerations of top 6 executives, including CEO* and CFO**	1,014,907	1,281,800	1,922,700	4,219,407

** All amounts in Bahraini Dinars.*

** The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc.*

*** The company's highest financial officer (CFO, Finance Director, ...etc)*

Notes:

1. *A significant portion of executive management remuneration are subject to deferral over a minimum period of 3 years as per regulations of the Central Bank of Bahrain. In addition to the paid benefits reported above, the Bank also operates a long-term share incentive scheme award that that allows employees to participate in a share-ownership plan. The Bank allocates shares awards that vest over a period of 6 years under normal terms and are subject to future performance conditions. The non-cash accounting charge recognized for 2022 amounted to BD 2,613 thousand determined in accordance with the requirements of IFRS 2. Refer to the Remuneration related and share-based payment disclosures in the Annual Report for a better understanding of the Bank's variable remuneration framework components.*

2. *Remuneration information above exclude any Board remuneration earned by executive management from their role in the board of investee companies or other subsidiaries.*

Ghazi Faisal Ebrahim AlHajeri
Chairman
GFH Financial Group

Hisham Alrayes
Member & Group CEO,
Executive Director

In line with our strategy, the trend towards a broader geographical footprint continued in 2022 as the Group established new locations and built upon key global and strategic partnerships.

2022 brought with it challenges for the international community. Geopolitical tensions, inflation, and supply chain disruption contributed to a tough year for many sectors. It was a year where governments, banks, and businesses had to adapt, innovate, and collaborate to navigate the complex landscape.

At GFH, we remained focused on expanding our portfolio, partnerships, and business lines, taking the opportunity to deploy capital during a market-wide repricing. We made some important investments and achieved some significant milestones while implementing our strategy for growth.

We remain positive for the year ahead, despite ongoing economic headwinds. Economists remain bullish about the GCC economy, which continues to perform better than most mature markets. We are continually analysing trends, data and insights to support us in addressing challenges and taking opportunities as they emerge.

Portfolio Expansion and Diversification

In 2022, we secured US$2.6 bn in new assets under management. Through new strategic partnerships, we secured assets in the logistics, student housing and medical offices sectors, further diversifying our real estate portfolio. Our new investments and acquisitions reflect our efforts to be present in sectors underpinned by strong fundamentals in line with our commitment to generating returns for investors and shareholders.

Our successful placements in 2022 demonstrate how our investments were aligned with investor demand. We managed to generate value through our placements, which has impacted positively on our profitability for 2022. Net profit attributable to shareholders was US$90.25 mn in 2022 compared with US$84.22 mn in 2021, an increase of 7.2%. Consolidated net profit for the year was US$97.71 mn, reflecting a 5.5% increase.

This increase in profit enabled us to propose cash dividends to our investors at 6% on par value for 2022, subject to approval by the General Assembly.

Further, we ended 2022 with US$9.76 bn of assets, 20.9% more than in 2021. This growth, predominantly driven by our treasury portfolio (US$4.21 bn) has supported our overall financial standing. We ended the year with a Capital Adequacy Ratio of 14.73% and a Return on Equity (ROE) ratio of ~9%.

Growth across Business Lines

Today, GFH manages over US$17.6 bn of assets and funds, reflecting more than two decades of continuous development. Our Investment Management function is a cornerstone of our income and continued to perform well in 2022.

Our Investment Management team increased its income by 9.1% compared to 2021 by successfully placing 3 private equity deals and 3 real estate investment deals.

The newly placed deals generated an income of US$86.9 mn while the asset management function earned fees of US$33.5 mn. Having generated US$120.5 mn, the Investment Management function accounted for 27% of our total income in 2022, making a key contribution to the Group's overall performance. Looking ahead, we expect our Investment Management team to continue playing a critical role in GFH's income and performance as it continues building on our broad pipeline of deals across sectors and geographies.

Our treasury portfolio was a key contributor to our asset growth in 2022. In recent years, this portfolio has grown significantly and last year was no different. In 2022, the portfolio increased by 34.4% to US$4.21 bn year-on-year, representing 43% of our assets. Our treasury portfolio contributed 22% to our income in 2022. We issued and participated in several sukuk last year, including issuing a US$900 mn Green Sukuk for Infracorp and participating in the US$400 mn Sukuk issued by Dar Al Arkan.

Our commercial banking arm, Khaleeji Commercial Bank (KHCB), is an important business line, contributing US$78.9 mn to the Group's income in 2022. The Bank achieved a net profit attributable to its shareholders of BD 14.01 mn, marking a 29.06% increase compared to 2021. Total income before return to investment account holders increased by 18.51% to BD 62.20 mn.

Product innovation and digitalisation were important parts of our overall work that contributed to the success of each business line. During the year, we took steps to further digitise our infrastructure and launched the official GFH Mobile application. The app offers various services to our clients, bringing them seamless access to investment statements and news on our latest deals and offerings.

Targeting Key Global Markets

We broadened our geographical footprint in 2022 in an effort to expose investors to new opportunities and further diversify our portfolio. In line with our strategy to invest in promising and resilient sectors, we initiated and built on several strategic partnerships with leading asset managers around the world.

Our acquisition of a majority stake in Big Sky Asset Management, an asset manager focused on healthcare real estate, expanded our presence in the US. It followed the earlier acquisition in May 2022 of Student Quarters, a leading specialist in student housing in prime US states and cities. Through these acquisitions, we gained a strong foothold in growing, defensive markets, which has proven highly valuable in a challenging economic environment.

Furthermore, we continued working alongside Roebuck Asset Management, our specialist logistics real estate partner. Through Roebuck, we are leveraging promising opportunities in UK and European logistics, which are supported by strong fundamentals. In 2022, we launched our London office reflecting our long-term commitment to the market. We also announced that our Saudi office is now up-and-running.

We continue to seek partnerships and inorganic growth that enhance our geographical coverage and provide our investors with access to new markets, opportunities, and value.

Awards and Recognition

In 2022, GFH was recognised with several awards, including Bahrain's Best Investment Bank and Investment Banking Market Leader by Euromoney International. GFH was also ranked as one of the Top 30 asset management companies in the Middle East by Forbes. MEA Finance named

GFH the Best Investment Management Firm and Best Real Estate Investment Firm, reflecting the Group's commendable real estate acquisitions and deals in 2022. GFH was also named Bahrain's Best Investment Bank by International Banker, while Global Islamic Finance Awards (GIFA) named GFH as the Best Islamic Investment Bank in 2022. Personally, I was humbled to be named the Financial Services CEO of the Year by CEO Middle East.

Our valued awards reflect our achievements, product innovation, and leadership in the region's investment banking sector. A further recognition of our progress was S&P Global Ratings' decision to raise GFH's long-term issuer credit rating to 'B', with a Stable Outlook.

Supporting Communities

The Group reaffirmed its ESG commitments in 2022, making important contributions to the communities within which we operate. We were very proud to sponsor a new Cancer Diagnostic & Surgery Centre at Al Kindi Hospital as part of our work during Breast Cancer Awareness Month.

One of our notable contributions to advancing sustainability in 2022 was the issuance of an award-winning US$900 mn green sukuk through Infracorp. The award was given by Islamic Finance News (IFN) as "Hybrid Deal of the Year". This issuance marked the first-ever green sukuk issued by a Bahraini entity and was listed on the London Stock Exchange. The transaction is part of the Group's efforts to accelerate the growth of sustainable infrastructure development across the MENA region and South Asia, while producing long-term returns for investors and adding lasting value to communities.

We look forward to continuing working alongside communities, partners and investors to ensure we maintain complete transparency and compliance, in addition to achieving a positive impact on people and places.

Optimism in our Outlook

Despite the challenging conditions in 2022, GFH has remained fixed on its course. Our proven strategy has helped us to navigate various economic downturns over the past two decades, including the Great Financial Crisis. It is a strategy that prioritises our investors' and shareholders' interests. In 2023, we remain proactive in our approach, committed in our efforts, and optimistic in our outlook.

I, along with the management team and the Board of Directors, am confident in GFH's position and its trajectory. We are reaffirming our position as one of the region's leading financial institutions. Our model, leadership team, culture and talent continue to set us apart and help generate value and returns for our investors.

I wish to close with a heartfelt 'thank you' as a sign of my appreciation and gratitude to all our team members, stakeholders, shareholders, and clients. Your commitment, trust and partnership form the foundation for a future of shared growth and sustainable returns.

900

US$ mn

In 2022, an award-winning US$900 mn green sukuk was issued through Infracorp

04

A Detailed Review of Our Group's Performance

Despite residual pandemic issues, GFH's business units have all trended up in a positive direction over the last 4 quarters

Section 04
22 Pages of 256 representing
8.5% of the report's content

Our diversified business lines ensured steady and consistent growth of assets and income while delivering strong returns to investors and shareholders. During 2022, this trend continued with major contributions to income and asset growth across our business.

Management's Review of Operations

20

US$ bn

The Group has launched several key infrastructure projects across the MENASA region, with a total estimated development value of + US$ 20bn.

GFH is a well-renowned financial group in the GCC region, with a diversified offering and pioneering track record. GFH's innovative approach to investment banking has been recognized internationally for over two decades. It has developed a strong and consistent ability to identify, successfully bring to market and capitalize on a wide range of solid investment opportunities in some of the world's most dynamic markets and sectors. GFH's business lines cover key aspects of the financial services value chain; from high-end financial products and investments, to high-street commercial banking operations. Following are the details of GFH's business activities and operations for the year:

Investment Management

The Group continues to undergo an effective transformation that was backed by a strategy of dynamic diversification and the pursuit of value creation. Also, GFH builds its global portfolio of income yielding real estate assets capable of delivering solid returns for the Group and its investors. It has also maximized its value creation potential by tapping into a widened range of asset classes, sectors and markets – pursuing opportunities to expand the Group's portfolio both in home markets in the GCC and beyond.

I. Private Equity

The Private Equity ("PE") business focuses on a multi-pronged strategy that includes direct investments, co-investments alongside top-tier asset managers, secondaries, strategic GP staking, buyouts and Sharia-compliant private credit. GFH has a particular focus on non-cyclical or downturn resistant sectors and deal structures, which limit downside risk for our investors while maximizing their upside. Our direct investments program entails investing in education, healthcare, infrastructure, consumer-driven, and late-stage tech and tech-enabled businesses that are benefiting from digitization tailwinds.

GFH's PE business continues to go from strength to strength, having built a leading regional buyouts and growth franchise and forged strategic partnerships with prominent global asset managers. The PE business successfully closed a number of acquisitions that have demonstrated strong growth and are well-poised to withstand the economic downturns to deliver value to the Group and its investors. Additionally, the business is actively working on exit plans for its more mature deals.

With the aim to strengthen GFH's global private equity investments platform, GFH formed a strategic partnership with Schroders Capital. Schroders Capital has an AUM of more than US$88 bn, and is the private markets investment division of Schroders plc, a global asset management group that manages £752 bn of assets on behalf of its clients. As part of this strategic partnership, GFH is investing in select investments alongside Schroders Capital, across a range of defensive and downturn resistant sectors such as healthcare, life sciences, and technology. The key co-investments undertaken so far include a B2B digital payments infrastructure provider, a global healthcare education platform, a B2B life science partner specialized in the development, production, and commercialization of ingredients for the pharmaceutical, veterinary and nutraceutical industries, and a mission-critical pharma services business.

Furthermore, GFH continues to build on the success of Healian, its flagship Middle East & Africa-focused healthcare impact platform, uniquely positioned to provide quality, affordable care in underserved, high-growth markets. The platform benefits from defensive characteristics and is being designed as an integrated provider operating across the value chain from preventive through to tertiary care. It targets a powerful mix of assets in strategic growth markets, primarily in KSA as well as the UAE, Egypt, Tunisia, and Morocco. The platform has a robust pipeline of actionable opportunities at different stages of the acquisition process, a deep focus on value creation during the hold period, and a clear exit route. Trust Vision Investment LLC is GFH's first major investment under the platform which serves as a foundation for building a regional healthcare champion. Healthcare penetration and service levels in emerging regional markets and across specialised therapeutical areas is below global benchmarks; additionally, increasing life expectancy, high prevalence of non-communicable diseases, mandatory insurance, and overburdened public health systems are the key growth drivers for private healthcare players.

Similarly, building on GFH's successful track record in Sharia-compliant credit investments and capitalizing on the elevated M&A activity as well as the structural economic and demographic shifts in the region, GFH is expanding its private credit platform. The platform's focus entails high quality businesses across the region – primarily in the GCC – with strong long term prospects that are undergoing significant transitions, resulting in liquidity needs for significant business expansion and growth related costs, buy-outs and industry consolidation. The platform enjoys a strong pipeline, and as markets and businesses evolve further, it sees a significant opportunity to benefit from being a holistic and creative private capital solutions provider.

Another cornerstone of the Group's investment strategy is global technology sector investments. In line with our vision to invest in innovation and growth and to capitalise on secular trends in digital adoption, GFH has substantially grown its existing technology portfolio, and currently has 25+ investments in this space. Our high-growth, late-stage companies specialise in next-gen technologies and operate in some of the most disruptive tech sub-sectors – such as cloud and enterprise software, cybersecurity, fintech, mental health, e-commerce, and mobile gaming. Our investments in market leaders or emerging leaders and niche spaces align with prevailing interest in global digitalisation. For example, our various investments in Cloud RPA providers are reflective of our focus on a next-gen technology that is quickly becoming a fast-growing vertical in enterprise software.

Moreover, GFH undertook a co-investment with The Carlyle Group, one of the largest private equity asset managers globally, in connection with take-private of Citrix and merger with TIBCO – both leaders in their respective technology segments. The co-investment was made in a secure preferred equity note instrument having senior liquidation and distribution rights and is coupled with an attractive security package.

Additionally, in line with GFH's strategy to invest in resilient, ESG impact sectors and to diversify across the global infrastructure space, it has entered into a strategic partnership with Equitix. Equitix is a leading global investor in core infrastructure assets with over US$11.7 bn of assets under management and is the infrastructure division of Tetragon. Tetragon is a global asset manager that manages c. US$70 bn of assets on behalf of its clients. GFH's infrastructure strategy is underpinned by investing across a range of defensive and downturn resistant investments with strong infrastructure characteristics entailing physically irreplaceable assets, long-term contracted cash flows, inflation-protections and interest rate pass-throughs coupled with established barriers to entry. In line with this, GFH has co-invested with Equitix in a well-established monopoly electricity distribution network in the Nordics region. The network serves strategic blue-chip industrial customers who are backed by the government and are critical to European and global value chains in the chemicals and stainless-steel industries. Its customers include the largest chemical cluster in the Nordics as well as the only fully integrated stainless-steel facility in the world.

As our focus on sectors is at the core of our investment strategy, with the aim of investing across industries in both established and growth-oriented businesses, the Private Equity team are principally organized around sectors and continues to identify and bring the right capital solutions to compelling opportunities, which are expected to deliver value to our organization, investors and shareholders. These sectors are better positioned to withstand potential economic uncertainties or downturns, whilst constantly prioritizing investor returns and capital preservation.

With a disciplined due diligence process, attentive monitoring and hands-on management and value creation approach, the Private Equity team managed to ensure that its existing investments continue to grow or remain stable.

The existing investments currently managed by the Private Equity team are:

- Britus Education Holdings
- University of Technology Bahrain
- Britus International School for Special Education, Bahrain
- The Entertainer, Dubai
- Marshal FinTech, Dubai
- US & Global Tech Fund I
- Global Tech Opportunities II
- Multi-Specialty Healthcare Partner Holding Ltd.
- Healthcare and Life Sciences Buy-Out Fund (I &II)
- GFH Carlyle Excess Company
- Aurora Infrastructure

II. Real Estate Investment

The real estate investment team continues to be thematic in its investment philosophy by focusing on capturing market momentum and opportunities in fundamentally stable and defensive sectors with a particular emphasis on Logistics, Medical Office Buildings, Multi-Family, Student Housing, Bio/life Sciences Parks and select Trophy Assets in pursuit of resilient income-yielding investments across North America, UK and Europe.

As part of the team's strategy of dynamic diversification, the objective is to structure moderately leveraged real estate investments that generate strong levered cash on cash returns by capitalizing on favorable market trends, allowing us to deliver attractive risk-adjusted distributions to our investors while mitigating risk. Diversification is achieved in multiple forms ranging from tenant and lease profiles, sub-markets, asset types and capital structures.

The investment approach involves partnering with the best-in-class specialized asset and property managers that have a proven track record within their sectors. GFH co-invests alongside its investors in every real estate investment opportunity to ensure alignment of interest. Furthermore, the firm focuses on portfolio amalgamation strategies in select sectors to unlock a premium on exit and enhance investor returns.

Global commercial real estate investment activity in 2022 was bifurcated in two halves. In the first half of the year, investment volumes exceeded 2021 amounts by 25% and performed at a historically strong level by carrying on the momentum witnessed in the tail end of the prior year. However, a combination of unfolding events in the middle of 2022 disrupted commercial real estate investment activity on a global level in the second half of the year. These events, which include a combination of the Russia-Ukraine conflict, supply chain bottlenecks, and post-COVID stimulus packages led to a shock in global inflation increases. In return, central banks increased interest rates and tightened economic initiatives to reduce inflation, which weighed on investment activity in the second half of 2022. This led to a full-year global investment volume of US$1.14 tn, a decrease of 20% from 2021's record amount. Although inflation was a key concern in the second half of 2022, fundamentals in certain real estate sectors continued to demonstrate resilience.

As a result of the unfolding events in mid-2022, a noticeable change in the commercial real estate financing market was seen globally in the second half of 2022 as lenders took a cautious approach. Reductions in appetite from originators of loans were witnessed in both lending volumes and loan amounts with respect to the underlying value of a property. Equally, borrowers were not motivated to purchase properties at a cost of debt that has more than doubled. The increase in interest rates also affected existing borrowers that did not hedge their exposure and challenged their capability to service debt. As a result, some asset owners were forced to sell their properties at a discount or delay exits that were planned during the year. The debt market trends are expected to continue in the first half of 2023 and gradually ease off by the end of the year as inflation gets under control.

Our thematic strategy and diversified portfolio of investments was well positioned to weather the capital markets challenges faced in 2022 due to our deployment in a mix of defensive and inflation-friendly sectors. In line with our proactively cautious approach, 82% of our real estate investments' financing was fully hedged and did not face disruptions in cash flows or distributions to our investors. The remaining holdings were partially hedged and the Real Estate Investment Management team actively engaged with the respective financiers, debt advisors and specialists to refinance the properties or renegotiate debt terms. The high interest rate environment did not materially impact our existing portfolio and has opened up a window of opportunity for tactically acquiring new investments.

GFH is thematically focused on strongly performing commercial real estate sectors that display favorable long-term trends across North America and Europe. Our favorable outlook on the residential, logistics and healthcare real estate sectors remains intact. We have built on our successful acquisition of Roebuck Asset Management, a pan-European logistics specialist in 2021, by acquiring majority interests in two additional specialized asset managers in 2022.

Within residential real estate, GFH has capitalized on the robust long-term fundamentals within the purposely built student accommodation ("PBSA") real estate sector by acquiring a majority interest in Student Quarters. Student Quarters is a PBSA specialist that manages over 11,000 beds. Student Quarters has been ranked as one of the top 25 owners of student housing assets in the US and continues to be one of the most active vertically integrated operators in the industry. Their exclusive pipeline is supported by robust enrollment figures across North America with ample potential for rental growth in fully stabilized assets. In addition, GFH launched its second Student Housing Portfolio, which provides a diversified and stable return on investment from five underlying assets. The slowdown in the lending market has limited the new supply of properties across North America and the UK, which further enhances the appeal of existing assets. In 2023, we aim to penetrate the UK PBSA market and continue investing into the North American market, capitalizing on the positive outlook of the sector.

Healthcare real estate, specifically medical office buildings ("MOB"), is a stable and recession-resilient sector that offers attractive risk-adjusted returns. GFH has uniquely positioned itself to create and capture value in the MOB sector which has already proven its resiliency during the macroeconomic challenges and inflationary environment witnessed in the second half of 2022. To reiterate the confidence in the sector and ensure alignment of interest with on-the-ground

management presence, a majority interest was acquired in Big Sky Medical Real Estate Funds, a MOB sector specialist that was founded by an experienced team with significant experience in the sector. Through the Big Sky partnership, GFH launched its second Medical Clinics Portfolio in the US, a stabilized and resilient portfolio of 11 assets that offers investors an attractive yield of c. 8% per annum. The robust credit and location-driven nature of tenants within the sector makes it a highly competitive and sought-after investment class.

The logistics sector continued to perform well in 2022, supported by a healthy amount of e-commerce activities. Despite the high inflationary environment and challenging macroeconomic environment, the sector experienced record rent growth in 2022, as well as the second highest annual total net absorption. Future acquisitions in the logistics sector will entail a strong emphasis on the credit quality of the underlying tenants and more scrutiny on the asset's location. We will leverage our direct and indirect partnership network to secure a pipeline of proprietary off-market investment opportunities that provide inflation-friendly returns. A resilient labor market, growing online sales combined with occupiers' needs for supply chain expansions and modern warehouse space for automation should keep demand strong in 2023 onwards.

The temporary slowdown in capital markets towards the end of 2022 offered its own set of challenges yet created opportunities for 2023. Our allocation this year will cautiously target opportunities that have downside protection and capital appreciation potential within our thematic sectors. Due to the reduced appetite in the lending market, we will tactically deploy capital into Sharia-compliant financing instruments that entail strong collateral across North America and Europe, predominantly in the residential sector. GFH's commercial real estate assets under management exceed $6 bn and the Real Estate Investment Management team has expanded to 15+ investment professionals with a collective experience of 50+ years, transacting on over $10 bn globally. Together with its strategic subsidiaries, the GFH real estate platform has a total of 45+ real estate investment professionals with a renowned international and regional footprint.

Infrastructure: Infracorp

The Group established its sustainable infrastructure arm Infracorp to expand its operations and income from the existing and potential infrastructure developments and leisure designated plots and developing and managing income generating hospitality assets in the GCC region, North Africa and Asia.

Through Infracorp, the Group sought the development of its existing rich land bank to further stimulate value creation and generate healthy returns from its real estate portfolio. Infracorp aims to utilize this land bank to develop a high growth, diversified real estate investment and development portfolio. In support of this strategy, Infracorp actively seeks unique opportunities to create landmark projects through infrastructure development, project & facility management, project advisory, managing and developing income-generating portfolios, and other specialized services.

Infracorp has also taken over the management of the Harbour Heights towers following GFH's acquisition of majority ownership in the holding company of the project and funding completion of Phase 1. Infracorp is also enhancing and expanding the Group's current hospitality offerings, working alongside internationally renowned Operators and reaching out to mns of members around the globe.

Infracorp is building on the Group's legacy and presence in the real estate market with the launch of the below projects:

- The Harbour Row, Bahrain
- Harbour Heights, Bahrain
- California Village, Dubai
- The Al Areen Development, Bahrain

Education: Britus Education

Britus Education, the fully owned education investment platform of GFH, has a portfolio of K-12 schools and higher education assets located across the MENA region. Its strategy focuses on identifying and investing in high quality schools that are capable of being further improved, have strong existing student capacity with room for additional growth and fee structures that are affordable to the fast-expanding mid-market. The schools include:

- Sheffield Private School
- Britus International School Bahrain
- The British International School of Tunis
- Britus International School, Al Olaya
- Britus International School - Special Education
- Education Castle International Schools
- Education Gate International School- Al Murabba
- Education Gate International School- Al Rawdha
- Bright Life International School

Commercial Banking: Khaleeji Commercial Bank

Khaleeji Commercial Bank BSC (KHCB) represents the Commercial Banking arm of GFH Financial Group. KHCB is headquartered in the Kingdom of Bahrain and operates under a Retail Islamic Banking license granted by the Central Bank of Bahrain (CBB). KHCB was established in 2004 by GFH, and it is a Public Bahraini Shareholding Company listed on the Bahrain Bourse. KHCB offers a range of innovative and high-quality products and services to retail clients, high net-worth individuals, corporate entities, and financial institutions. These include retail banking, corporate banking, wealth management, structured investment products and project financing facilities.

Khaleeji Commercial Bank has achieved a net profit of BD 14.01 mn attributable to the Bank's shareholders for the fiscal year ended 31st December 2022, compared to a net profit of BD 10.85 mn for the same period of the previous year, an increase of 29.06%. The increase in net profit is mainly attributed to the Bank's reporting of an increase in income from financing assets and ijarah assets to reach BD 35.73 mn, compared to BD 29.91 mn in 2021, an increase of 19.45 %. Total income before return to investment account holders has increased by 18.51% to BD 62.20 mn, compared to BD 52.49 mn in 2021.

Total shareholders' equity has increased by 0.92% to BD 147.64 mn in 31 December 2022, in comparison with BD 146.30 mn in 31 December 2021. Meanwhile, the total growth in the Bank's assets was recorded at 22.25%, reaching BD 1,425.7 mn, compared to BD 1,166.2 mn in 2021, the Bank's capital adequacy has reached 19.52%.

Additionally, the Bank maintains a healthy liquidity coverage ratio of 137.64% and a net stable funding ratio of 107.81% for the fiscal year ending 31st December 2022. Income attributed to average shareholders has reached 9.53% and the income attributed to average assets reached 1.08%, allowing the Bank to invest in liquidity through distinguished investments in 'Sukuk' that are characterised by high income and low risks. These investments resulted in a noticeable increase in the 'Sukuk' portfolio, reaching BD 523.3 mn in 2022, compared to BD 323.8 mn in 2021, with a growth rate of 61.60%. Moreover, total deposits increased by 21.94% to reach BD 1,111.5 mn, compared to BD 911.5 mn last year. The Bank is committed to present its valued shareholders with the best returns through reliance on operational plans that keep pace with modern trends and global changes at various levels with a steady pace forward and a proactive approach in various aspects.

The Bank adheres to its innovative strategy of developing banking activities and accelerating digital transformation, which enhances client satisfaction with new and innovative products and services. KHCB is a leading Islamic bank that strives to achieve clients' aspirations through an Islamic banking model that offers a comprehensive range of high-quality Sharia-compliant banking services and investment opportunities to individuals and companies.

Distribution to Fund Investors

Throughout 2022, GFH delivered distributions and dividend payments to investors in line with the Group's progressive dividend policy. Dividends amounting to US$86 mn were paid across all our managed investments to our investors.

Additionally, mainly due to the ongoing market recognition of the strength of GFH's business and the steps the Group has taken to further enhance its results and financial position, S&P Global Ratings raised its long-term issuer credit rating to 'B' from 'B-', with a Stable Outlook. At the same time, the agency also raised the credit ratings on sukuk issued by GFH Sukuk Company Ltd to 'B' from 'B-'.

GFH's subsidiary Khaleeji Commercial Bank is headquartered in Harbour Towers, part of the Bahrain Harbour complex also owned by GFH.

One of the key contributing business lines over the last 12 months was Treasury & Capital Markets. This business unit experienced a positive trend generating close to $100mn in revenues over the period.

Treasury & Capital Markets

In line with GFH's efforts to build on its positive track record of creating high growth and stable business lines that contribute positively to the overall income and diversification efforts of the overall activities of the Group, the Treasury & Capital Markets business line played a key and fundamental role in boosting the Group's revenues and profitability in 2022 by generating $97mn in revenues.

The department's significant impact comes as a result of its solid performance in 2022 in generating robust revenue streams, despite volatile markets faced in 2022 including high interest rates and geopolitical events. Despite challenges, Treasury & Capital Markets showed resilience in navigating market turmoil while posting solid revenues, and hence proving the solid foundation and sustainability of its investment model and presence within local and global markets.

In 2022, Treasury activities for the Group contributed $97mn of the Group's total income with positive contributions from investments such as interbank lending, fixed income and alternative investments.

Treasury and Capital Markets mainly focuses on:
- Optimizing the level of liquidity available by providing the necessary funding to the Group.
- Deploying the Group's liquidity while diligently analyzing risk and return trade-offs.
- Engaging in proprietary book investments in regional and international opportunities to capitalize on market opportunities.

Treasury and Capital Markets' main lines of investment are:
- Interbank Lending through Murabaha and Wakala
- Fixed Income
- Alternative Investments

Institutional Financial Services:
- Establishing key partnerships with international financial institutions to provide the Group with access to a range of products and services across all key asset classes.

97

US$ mn

Treasury & Capital Markets boosted profitability in 2022 by generating $97 mn in revenues.

05

Corporate Governance Risk & Capital Management

Our Corporate Governance aids GFH in meeting our strategic objectives inline with our clients' and shareholders' best interests.

Section 05
22 Pages of 256 representing
8.5% of the report's content

GFH is a proudly Islamic financial institution governed by Sharia as well as international standards of good corporate citizenship. This section provides a detailed insight into the group's operational and business philosophy.

Corporate Governance

500

US$ mn

In 2020 GFH issued Sukuk of up to US$ 500 mn which are listed on London Stock Exchange and NASDEQ Dubai.

GFH Financial Group BSC ("GFH" or the "Bank") is an Islamic Wholesale bank that was established in 1999 in the Kingdom of Bahrain. GFH's business activities are carried in accordance with the principles of Islamic Sharia which includes financial services, investment and commercial transactions, negotiable financial instruments, in addition to structured finance, securities and liquidity management designed to achieve profitable returns for investors.

In 2004, GFH Financial Group was converted from a closed shareholding company to a public shareholding company. Its shares are currently listed on the Bahrain Bourse, Boursa Kuwait, Dubai Financial Market, and Abu Dhabi Securities Exchange. Furthermore, in 2020 GFH issued Sukuk of up to US$ 500 mn which are listed on London Stock Exchange and NASDEQ Dubai.

As a Public Shareholding Company, GFH's corporate governance framework is based on the guidelines issued by Ministry of Industry, Commerce (MOIC) under the Commercial Companies Law promulgated by Decree No. (21) for the year 2001 ("Companies Law") and the amendments thereto, the regulations of MOIC's Corporate Governance Code of 2018 promulgated by Decree No. (19) for 2018, the High-Level Controls Module ("HC Module") issued by the Central Bank of Bahrain (CBB) under its Rulebook - Volumes 2 and 6 and the amendments thereto and the Listing Rules approved by the Board of Directors of Bahrain Bourse in its meeting (4/2019) dated 08/10/2019 and the amendments thereto.

GFH's Corporate Governance Philosophy

The corporate governance framework is focused on assisting GFH to successfully meet its strategic objectives and maintain steady growth whilst remaining fully cognisant of our clients' and shareholders' interests.

GFH believes that compliance with corporate governance principles enhances its value through providing a suitable framework for the Board, Board Committees and Management to perform their duties in a manner that serves the interests of the bank and its shareholders. For this reason, GFH strives to achieve the highest levels of transparency and accountability by adopting and executing strategies, goals and policies which are aimed to comply with the regulatory requirements.

The Board of Directors are accountable to shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. To achieve this, the Board implement and monitors the Bank's strategy and performance, within a framework of sound corporate governance. The Chairman of the Board is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the CEO and maintaining a dialogue with the bank's stakeholders. The control functions such as Internal Audit, Risk Management and Compliance & AML report directly to the Board Audit and Risk Committee ("ARC").

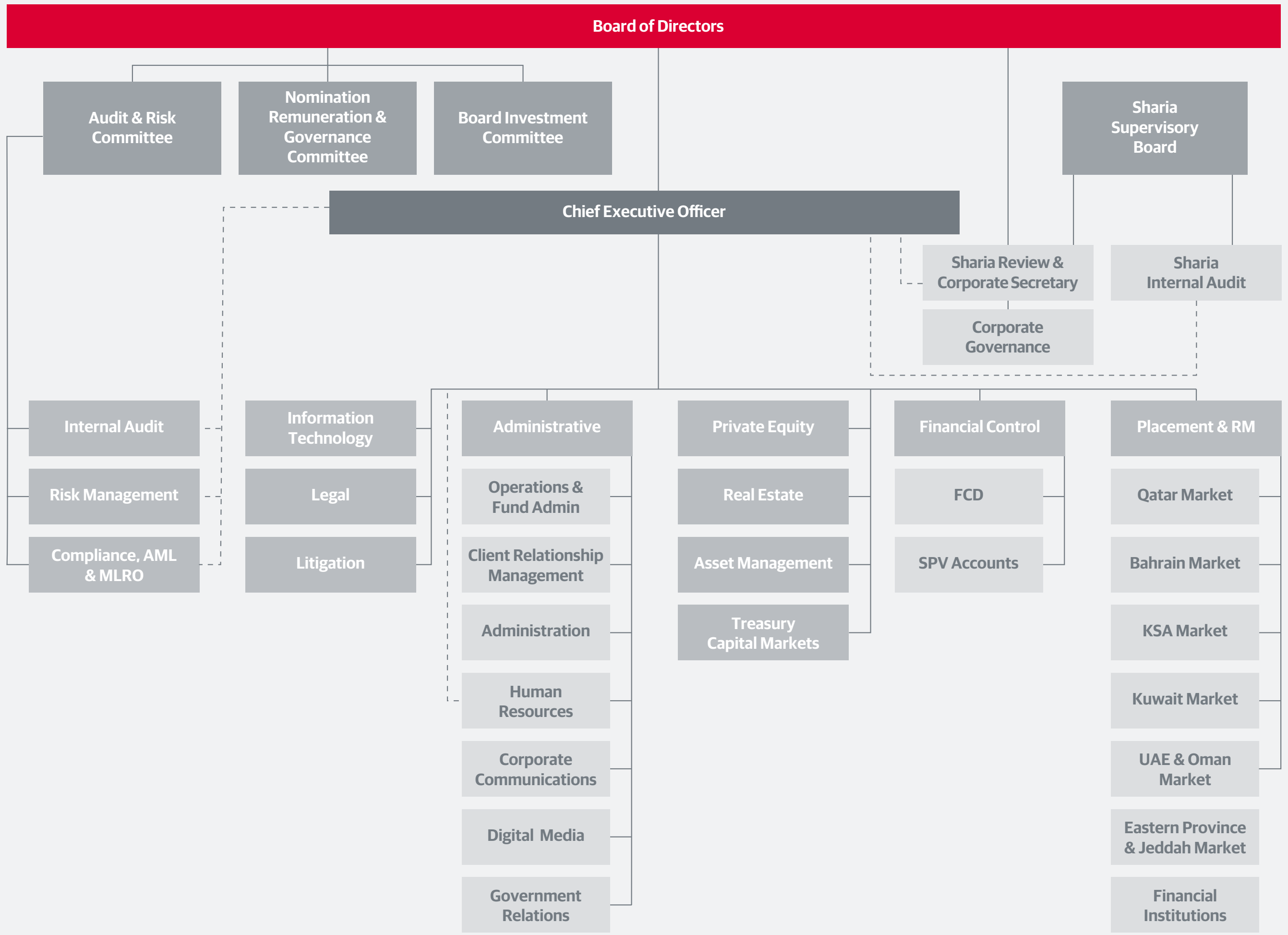
Compliance with Regulations (High Level Control Module – CBB Rulebook, Volume 2)

In 2022, GFH continued the implementation of the Corporate Governance rules and the requirements of 'High Level Control Module of the CBB Rulebook Volume 2 (HC Module)'.

As per rule HC-A.1.8 and HC-8.2.1 (c) of the HC Module with reference to the disclosure of the non-compliance events (Comply or Explain Principle), which stipulates the need to elucidate the non-compliance cases and provide clarification on the same in event non-compliance with the rules and guidelines of the HC Module, GFH wishes to clarify the following:

- The NRGC committee does not include a Sharia Scholar (a member of Sharia Supervisory Board) as recommended under guidance note HC-9.2.4 (b).
- Contrary to guidance note HC-7.2.2 which recommends all Board Members to attend the shareholders' meeting, the shareholders' meetings held on 3 April 2022 were attended by three Board Members.
- ARC has been dissolved following the resignation of Ms. Alia Al Falasi on 9 November 2022, with the number of remaining committee members short of the quorum required by the ARC charter.

Organizational Structure
As of 31st December 2022



GFH's Corporate Governance framework:
GFH's Corporate Governance framework remains in line with the applicable regulatory requirements and is comprised of GFH's Board of Directors' Charter, Code of Conduct for the Directors, Conflict of Interest Policy, Gift Policy, Whistle Blowing Policy, Public Disclosures & Communication Policy, Client Charter, and Code of Business Ethics & Conduct for the Management & staff members.

Furthermore, the Mechanism of Performance Evaluation of Board of Directors, Board Committees and Individual Board members, as well as the other internal policies of the Bank are in line with the regulations and guidelines issued by the CBB and international best practices. As part of the disclosure requirements indicated in HC Module, GFH presents the following facts:

A. Ownership of shares
A.1. Distribution of shareholdings according to nationality
As at 31st December 2022, the shareholders Register shows that there are 8,323 shareholders who own 3,832,593,838 shares at a nominal value of US$ 0.265 per share, as follows:

Nationality	No. of Shareholders	No. of Shares	% of outstanding shares
Kuwaiti	4,149	1,485,582,452	37.36%
Emirati	1,967	1,003,208,850	24.98%
Bahraini	686	655,321,488	16.97%
Saudi	274	204,950,865	5.34%
American	30	138,546,301	3.60%
Cayman Islander	2	111,333,507	2.90%
Qatari	74	54,891,175	1.42%
Jordanian	265	38,006,103	0.84%
Others	876	140,753,097	6.59%
Total	**8,323**	**3,832,593,838**	**100%**

A.2. Distribution of ownership according to the percentage of shareholding
The below table shows the distribution of ownership according to the percentage of shareholding as at 31st December 2022:

Particulars	No. of Shareholders	No. of Shares	% of outstanding shares
Less than 1%	8,305	2,260,705,577	58.986%
1% to less than 5%	16	1,142,821,485	29.818%
5% to less than 10%	2	429,066,776	11.195%
10% to less than 20%	0	0	0%
20% to less than 50%	0	0	0%
Total	**8,323**	**3,832,593,838**	**100%**

A.3. Names of shareholders who own 5% or more
As of 31st December 2022, the following shareholders owned more than 5% of the Group's shares:

1. Al Raghad and Al Manar Real Estate Company
2. GFH Employee Benefit Trust

B. GFH Board of Directors and the Executive Management
B.1. Formation of the Board of Directors
The Board of GFH is composed of eight (8) members as at 31st December 2022. The current Board of GFH will complete its term in September 2023.

i.	Mr. Ghazi Al Hajeri	Chairman (Independent Director)
ii.	Mr. Edris Alrafi	Vice Chairman (Independent Director)
iii.	Mr. Hisham AlRayes	Member (Executive Director)
iv.	Mr. Rashid Al Kaabi	Member (Non-Executive Director)
v.	Mr. Ali Murad	Member (Independent Director)
vi.	Mr. Fawaz Al Tamimi	Member (Independent Director)
vii.	Mr. Darwish Al Ketbi	Member (Independent Director) appointed 3 April 2022
viii.	Mr. Yusuf Taqi	Member (Independent Director) appointed 19 June 2022

The following members have resigned prior to year-end:

i.	Mr. Jassim Alseddiqi	Resigned effective 4 April 2022
ii.	Mr. Ahmed Al Ahmadi	Resigned effective 7 June 2022
iii.	Ms. Alia Al Falasi	Resigned effective 9 November 2022

In compliance with the CBB requirements, which mandates at least one third of the members of the Board of Directors to be Independent Directors; as of 31st December 2022 the Board was comprised of six Independent Directors which includes the Chairman of the Audit and Risk Committee and the Chairman of the Nomination, Remuneration and Governance Committee.

B.2. Separation between the position of Chairman/Deputy Chairman and Chief Executive Officer
In compliance with the CBB requirements, the position of the Chairman/Deputy Chairman and that of the Chief Executive Officer are segregated and there is no amalgamation of responsibilities in these two positions.

B.3. Function of BOD and responsibilities of the Board Members
The Articles of Association of GFH Financial Group stipulate the responsibilities of the Chairman and members of the BOD as well as the guidelines of corporate governance with respect to the distribution of responsibilities between the Board of Directors and executive management. The BOD oversees all the business activities in consultation with the executive management team. The BOD also discusses and agrees GFH Financial Group's business strategy. Additionally, the BOD is responsible for risk management and the preparation of consolidated financial statements in accordance with AAOIFI standards as modified by the CBB and corporate governance issues. The matters which require the approval of the Board includes long term strategic and annual business plan, matters pertaining to corporate governance, acquisition and disposal of investments, exit of projects. This is along with the main role of the Board which is to ensure adherence to the values of GFH Financial Group, including the values set forth in its internal regulations.

When appointed, Board members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational, financial, and compliance affairs as well as corporate governance controls in GFH Financial Group. The corporate governance framework allows a member of the BOD to seek independent advice when necessary.

With respect to the channels of communication between the BOD and executive management, the Board members can contact and request information from the executive management at all times.

B.4. Independence of Board Members
Independent members represent the majority of board members. To ensure independence of members, all Board members are required to inform the Board of Directors about any changes or additions that occur on their positions and executive functions that may affect the assessment of their independence by the BOD. They should also ensure that their membership of the Board of Directors is not in conflict with any of their other interests and enable them to devote time and attention to the BOD. Before starting any Board meeting, the Chairman of the BOD instructs the Board members not to participate in the vote on the resolutions that may involve a conflict of interest; this is in addition to the annual disclosure submitted by the Board members in compliance with the conflict of interest policy.

The Nomination, Remuneration and Governance Committee of the BOD is responsible, along with its role in the identification, assessment and selection of candidates for membership of the Board of Directors, for the verification of the independence of members through the controls established by the regulations in this regard. In the selection process, the Committee ensures that the executive and non-executive candidates have a wide expertise in different fields of business and support services. Independent members are chosen from different sectors to ensure diversity of views and experiences in the BOD, as the current independent members come from financial, commercial and government sectors.

The following table shows the classification of members of the BOD as at 31st December 2022:

Classification of members	No.	% of Representation
Independent	6	75%
Non-Executive	1	12.5%
Executive	1	12.5%
Total	**8**	**100%**

The following table shows the percentage of women and men on the Board during the year in compliance with CBB Rulebook Volume 6 HC-8.3.3:

Representation	No. (as of 1 January 2022)	% of Representation (as of 1 January 2022)	No. (as of 31st December 2022)	% of Representation (as of 31st December 2022)
Women	1	11.11%	0*	0%
Men	8	88.89%	8	100%
Total	**9**	**100%**	**8**	**100%**

**Resigned on 9 November 2022*

B.5. Letter of Appointment of Board Members
Upon appointment, the Board Members are required to sign a written agreement (letter of appointment) with GFH. The agreement contains details of the responsibilities and powers of the member as well as the information required by the regulations. Upon appointment, Board members are presented with a comprehensive official introduction specifically designed for this purpose. It includes, among other things, review of the BOD's role in general and the duties and roles of the Board members in particular, in addition to meeting with the executive management, presentation of GFH's strategy, financial performance, risks and legal issues and other related matters. During the term of membership, a member of the BOD must be fully aware of all aspects of the business, including the Bank's policies relating to corporate governance.

B.6. The Right of Shareholders to appoint Members of the Board
Under Article 175 of the Commercial Companies Law of 2001 (CCL-2001) and the amendments thereto and Article 27 of GFH's Amended and Restated Articles of Association ('AOA') of the Bank, each shareholder who owns 10% or more of the capital is entitled to appoint his representative in the BOD in proportion to the number of members of the BOD.

B.7. System for Election and Termination of Directors
The system for the election and termination of Directors is governed by Article 176 – 179 of the CCL-2001 and the amendments thereto and Articles 24 - 28 of AOA.

As per the contract signed with the Directors, GFH may terminate the Director's appointment with immediate effect if the Director has:
1) committed any serious or repeated breach or non-observance of his obligations to GFH (which includes an obligation not to breach any fiduciary duties) including those arising under this agreement; or
2) been guilty of any fraud or dishonesty or acted in any manner which, in the opinion of GFH, brings or is likely to bring the Director or GFH into disrepute or is materially adverse to the interests of GFH; or
3) been declared bankrupt or have made an arrangement with or for the benefit of his creditors, or any similar or analogous act or event; or
4) been disqualified from acting as a director for any reason; or
5) been absent without a valid reason for more than four (4) consecutive board meetings; or

Furthermore, in line with the Article 179 of CCL-2001 and Articles 29 and 31 of AOA, in case of vacancy for one or more Board members, the Board shall elect by a secret ballot or otherwise, a substitute amongst certain number of candidates, proposed by at least two Board members until the first General Meeting is held.

B.8. GFH Board Members and their other memberships
The table below shows the composition of the BOD, the other memberships of the Board member and membership of committees as at 31st December 2022:

Name and position of Board member	Date of first appointment in BOD/ Re-appointment	Independent/ Non-Executive/ Executive	Representation	Number of memberships in other boards of Directors	Number of memberships in other boards of Directors in Bahrain	Number of memberships in other boards of Directors of banks in Bahrain	Number of memberships in Board Committees
Ghazi Al Hajeri	Mar 2017 / Sep 2020	Independent	NA	2	-	-	1
Edris Alrafi	Sep 2020	Independent	NA	2	-	1	1
Hisham AlRayes	April 2016 / Sep 2020	Executive	NA	22	0	-	1
Rashid Al Kaabi	Mar 2017 / Sep 2020	Non- Executive	NA	7	0	-	1
Ali Murad	March 2020 / Sep 2020	Independent	NA	6	-	-	1
Fawaz Al Tamimi	Sep 2020	Independent	NA	2	-	-	1
Darwish Al Ketbi	April 2022	Independent	NA	2	-	-	1
Yusuf Taqi	June 2022	Independent	NA	22	9	1	1

B.9. Ownership of the Members of the Board in GFH shares
The table below shows the change in the ownership of members of the Board of Directors of the shares of GFH Financial Group, as at 31st December 2022 compared to that of 31st December 2021:

Member's name	Shares owned as at 31st December 2021	Shares owned as at 31st December 2022	Percentage of ownership as at 31st December 2022
Hisham AlRayes	126,188,716	148,267,546	3.87%
Rashid Al Kaabi	–	–	–
Ghazi Al Hajeri	–	–	–
Ali Murad	108,435,609	161,167,124	4.21%
Fawaz Al Tamimi	–	–	–
Edris Alrafi	–	–	–
Darwish Al Ketbi	–	–	–
Yusuf Taqi	–	–	–

B.10. Directors' and Senior Managers' trading of the Bank's shares and distribution of ownership on an individual basis during the year 2022

Name of Board Member	Total no. of shares held as at 31st Dec 2021	Transactions - within the period 1st Jan - 31st Dec 2022: Sold	Transferred for settlement #	Additional Position	Total no. of shares held as at 31st Dec 2022	% of ownership
Hisham AlRayes	126,188,716	-	60,297,244	82,376,074	148,267,546	3.87%
Rashid Al Kaabi	-	-	-	-	-	-
Ghazi Al Hajeri	-	-	-	-	-	-
Ali Murad	108,435,609	-	-	52,731,515	161,167,124	4.21%
Fawaz Al Tamimi	-	-	-	-	-	-
Edris Alrafi	-	-	-	-	-	-
Darwish Al Ketbi	-	-	-	-	-	-
Yusuf Taqi	-	-	-	-	-	-

Name of Management & Approved Persons	Total no. of shares held as at 31st Dec 2021	Transactions - within the period 1st Jan - 31st Dec 2022: Sold	Transferred for settlement #	Additional Position *	Net total no. of shares held as at 31st Dec 2022
Hisham Alrayes	126,188,716	-	60,297,244	82,376,074	148,267,546
Salah Sharif	4,403,084	1,901,889	248,971	2,720,307	4,972,531
Baha Al Marzooq	1,203,620	1,153,604	384,666	1,359,451	1,024,801
Hammad Younus	2,420,962	2,620,159	1,288,904	4,060,513	2,572,412
Nael Al Kujok	-	-	-	1,443,059	1,443,059
Suryanarayanan Hariharan	3,815,527	2,917,420	538,059	2,738,416	3,098,464
Razi Al Merbati	5,400,847	584,634	-	5,254,769	10,070,982
Pietro de Libero	-	-	-	-	-
Dr. Mohamed Abdulsalam	952,023	898,330	326,848	1,355,679	1,082,524
Muneera Isa	804,374	619,563	-	682,762	867,573
Ahmed Jamsheer	2,031,698	2,063,164	1,096,178	4,054,677	2,927,033
Osama Janahi	970,123	204,281	-	146,071	911,913
Osama Nasr	-	-	-	-	-
Mariam Jowhary	251,378	85,048	-	388,583	554,913
Bhaskar Mehta	-	-	-	-	-
Salem Patel	4,496,646	-	740,425	1,408,815	5,165,036
Yazen Al Khudairy	-	-	-	-	-
Mohammed Mattar	-	-	-	-	-
Mohammed AlHusaini	-	-	-	-	-
Total	152,938,998	13,048,092	64,921,295	107,989,176	182,958,787

 # Certain of the banks share schemes include a leverage component, and any settlement within the Group share scheme policies are reduced from employee holdings.
** Includes the shares bought directly from market or/and the shares awarded/ vested under Employee Share Schemes or/and the stock dividend on such shares received during the year.*

B.11. Meetings of the Board of Director during the year 2022

The meetings of the Board of Directors and the Board committees are held whenever the need arises, but under the regulations, the BOD should meet at least four times during a single fiscal year. The BOD held five (5) meetings during 2022. The shareholders meetings were held on 3 April 2022.

In addition to official meetings, a number of urgent resolutions were also passed by circulation in 2022 through e-mails to Board members.

As for the agenda of the meetings of the BOD, it is sent to the members at a suitable time before the date of the meeting, to provide the members with all the necessary information, reports and documents for their information and review. The BOD is also notified of all the topics and key events that arise and need approvals. The executive management is responsible for informing the BOD on the performance of GFH in each meeting.

Dates of Board meetings held during the fiscal year 2022 are as follows:

i. 9 February 2022
ii. 4 April 2022
iii. 11 May 2022
iv. 10 August 2022
v. 9 November 2022

Date & location of meeting	Names of Directors present	Names of Directors who participated by phone/video link	Names of Directors not present
Date: 9th February 2022 1st Meeting **Location:** Video Call Conference		1. Mr. Jassim Alseddiqi 2. Mr. Ghazi Al Hajeri 3. Mr. Idris Alrafi 4. Mr. Hisham Alrayes 5. Mr. Ali Murad 6. Mr. Rashid Al Kaabi 7. Mr. Ahmed Al Ahmadi 8. Ms. Alia Alfalasi 9. Mr. Fawaz Altamimi	
Date: 4th April 2022 2nd Meeting **Location:** Video Call Conference		1. Mr. Jassim Alseddiqi 2. Mr. Ghazi Al Hajeri 3. Mr. Idris Alrafi 4. Mr. Hisham Alrayes 5. Mr. Ali Murad 6. Mr. Rashid Al Kaabi 7. Mr. Ahmed Al Ahmadi 8. Ms. Alia Alfalasi 9. Mr. Fawaz Altamimi	
Date: 11th May 2022 3rd Meeting **Location:** Four Seasons Hotel Dubai, UAE	1. Mr. Ghazi Al Hajeri 2. Mr. Idris Alrafi 3. Mr. Hisham Alrayes 4. Mr. Ali Murad 5. Mr. Rashid Al Kaabi 6. Mr. Ahmed Al Ahmadi 7. Ms. Alia Alfalasi 8. Mr. Fawaz Altamimi 9. Mr. Darwish Al Ketbi		
Date: 10th August 2022 4th Meeting **Location:** Video Call Conference		1. Mr. Ghazi Al Hajeri 2. Mr. Idris Alrafi 3. Mr. Hisham Alrayes 4. Mr. Ali Murad 5. Mr. Rashid Al Kaabi 6. Mr. Yousif Taqi 7. Ms. Alia Alfalasi 8. Mr. Fawaz Altamimi 9. Mr. Darwish Al Ketbi	
Date: 9th November 2022 5th Meeting **Location:** GFH Financial Group Offices Kingdom of Bahrain	1. Mr. Ghazi Al Hajeri 2. Mr. Idris Alrafi 3. Mr. Hisham Alrayes 4. Mr. Ali Murad 5. Mr. Yousif Taqi 6. Mr. Fawaz Altamimi 7. Mr. Darwish Al Ketbi	1. Mr. Rashid Al Kaabi	

B.12. Quorum required for adoption of Board resolutions

The required quorum for the meetings of the BOD and AGM shall be in accordance with the provisions of the Articles of Association of GFH. The BOD may pass its resolutions by post, e-mail, fax, conference calls, video calls or any other means of audio or video communication pursuant to the provisions of Article 33-e of the Articles of Association of the Bank.

C. Board Committees

The BOD has established three subordinate committees and has delegated specific powers to each committee as follows:

C.1. The Audit and Risk Committee

The Audit and Risk Committee (ARC) is responsible for following up on the internal and external audit, risk management as well as compliance and anti-money laundering matters.

During the fiscal year 2022, the Committee held four meetings, as detailed below:

ARC meeting date & Location	ARC members present	ARC members who participated by phone/ video link	ARC members not present
Date: 7th February 2022 1st Meeting (Part 1) **Location:** Video Call Conference		1. Mr. Ahmed Al Ahmadi 2. Ms. Alia Alfalasi 3. Mr. Idris Alrafi	
Date: 8th February 2022 1st Meeting (Part 2) **Location:** Video Call Conference		1. Mr. Ahmed Al Ahmadi 2. Ms. Alia Alfalasi 3. Mr. Idris Alrafi	
Date: 10th May 2022 2nd Meeting (Part 1) **Location:** Video Call Conference		1. Ms. Alia Alfalasi 2. Mr. Idris Alrafi	1. Mr. Ahmed Al Ahmadi
Date: 15th May 2022 2nd Meeting (Part 2) **Location:** Video Call Conference		1. Mr. Ahmed Al Ahmadi 2. Ms. Alia Alfalasi 3. Mr. Idris Alrafi	
Date: 9th August 2022 3rd Meeting **Location:** Video Call Conference		1. Mr. Yousif Taqi 2. Mr. Idris Alrafi 3. Ms. Alia Alfalasi	
Date: 7th November 2022 4th Meeting (Part 1) **Location:** GFH Financial Group Offices Kingdom of Bahrain		1. Mr. Yousif Taqi 2. Mr. Idris Alrafi	1. Ms. Alia Alfalasi
Date: 8th November 2022 4th Meeting (Part 2) **Location:** Jumeirah Gulf Hotel Kingdom of Bahrain		1. Mr. Yousif Taqi 2. Mr. Idris Alrafi	1. Ms. Alia Alfalasi

C.2. Nomination, Remuneration & Governance Committee

The Nomination, Remuneration & Governance Committee ("NRGC") is responsible for recruitment, rewards, incentive compensation of employees and the preparation of internal policies to manage human resources and other administrative matters. It is also responsible for overseeing the governance framework of GFH Financial Group.

The Committee met two times during the fiscal year 2022, as detailed below:

NRGC Meeting date & location	NRGC members present	NRGC members who participated by phone/ video link	NRGC members not present
Date: 8th February 2022 1st Meeting **Location:** Video Call Conference		1. Mr. Ghazi Al Hajeri 2. Mr. Rashed Al Kaabi 3. Fawaz Altamimi	
Date: 26th December 2022 2nd Meeting **Location:** Video Call Conference		1. Mr. Ghazi Al Hajeri 2. Mr. Rashed Al Kaabi	1. Mr. Fawaz Altamimi

C3. Board Investment Committee

The Board Investment Committee ("BIC") is a Board's sub-committee appointed to assist the board in formulating the bank's investment policy and make investment transaction decisions. The BIC will meet as events and decision making require. During the year certain resolutions were passed by circulation.

D. Audit fees and other services provided by the external auditor

During the Annual General Meeting held on 3rd April 2022, the shareholders approved the re-appointment of KPMG as external auditors for the year ending 31st December 2022 and authorized the Board of Directors to determine their remuneration. The audit fees charged and non-audit services provided by the external auditors shall be available to the shareholders as and when requested through formal requests provided that these disclosures would not negatively impact the Audit firm's interest and its competition in the market.

E. Other topics

E.1 Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors is recommended to the Board of Directors by the Nomination, Remuneration & Governance Committee and the Board of Directors then makes the recommendation to the shareholders at the annual general meeting.

The Board of Directors' remuneration takes into consideration the performance of the Bank as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. During the year 2022, the Board was paid fees as stated in the Chairman's Report accompanying the consolidated financial statements.

Executive Management is entitled to a fixed remuneration as per their contractual agreements, and any other performance- related incentives/ bonuses must be approved by the Board.

Refer to the Chairman's report and note 24 (Key management personnel) of the consolidated financial statements for details of the remuneration to Executive Management.

During 2022, the total remuneration paid to Sharia Supervisory Board was US$400,000.

E.2 Continuous development of the Board and Board Committees

The Charter of the Board of Directors serves as a reference point for the Board activities. The Charter outlines the demarcation of the roles, functions, responsibilities and powers of the Board, various Board committees of GFH and matters reserved for final decision–making or pre approval by the Board and the policies and practices of the Board in respect of matters such as conflicts of interest and convening of Board meetings.

The Board Charter sets up a detailed Board Training guide which provides a framework for induction/orientation of new Board members. The new Board of Directors are provided with a presentation pack containing overview/highlights of GFH.

All the members of the Board at the time of appointment should sign a Directors contract, which contains the terms of the appointment, duties and responsibilities of the members, membership and time commitment, conflicts of interest, resignation and termination, confidentiality of information, requirement for the completion of professional development trainings and other details which the members have to abide by during their tenure of being member of the Board.

Furthermore, all Board members are required to attend a minimum of fifteen (15) hours of continuous professional development training annually in line with the requirements of the Training and Competency Module of the CBB Rulebook Volume 2.

E.3 Board's Performance Evaluation

At GFH, a comprehensive Board Performance Evaluation Pack (framework for the annual self-assessment process by the Board, the Board Committees and Individual Directors) is in place which is in line with the CBB guidelines (HC Module).

The evaluation is to be used to assess Board effectiveness and support in identifying the need for:

- A revised mix of skills/experience on the Board.
- Board training and/or professional support
- Replacement of Individual Directors whose contribution is deemed inadequate.

The Board Performance Evaluation Framework is based on the following - Principles:

- The Board shall, through the Nomination, Remuneration and Governance Committee (NRGC), undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and Individual Directors.
- The Chairman will act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board. The Chairman of the NRGC will be responsible for the performance evaluation of the Chairman, taking into account the views of other Board Members.
- The evaluation process will be used constructively as a mechanism to improve Board effectiveness, maximise strengths and tackle weaknesses.
- The results of Board evaluation will be shared with the Board as a whole whilst the results of individual assessments will remain confidential between the Chairman and the Director concerned.
- Key results indicators, derived from the strategic plans and objectives, should be used to measure the Board's performance.

The Board Performance Evaluation Framework is based on the following - Methodology:

1) Each Board Member is required to complete the 'Board Performance Evaluation Form' and the "Individual Director's Self Evaluation Form".
2) The Chairman of the Board will also individually evaluate each of the Board Members.
3) NRGC will collate the ratings of the Board (Board Performance Evaluation Form) done by each of the Board Member accordingly; in order to arrive to mean results.
4) Each Committee Members will also perform rating of their respective committee(s).
5) Similarly, NRGC will collate the ratings of each of the Committee (NRGC/BIC/ARC); in order to arrive to mean results of that specific committee.

E.4. Transactions Requiring Board Approval

As part of their central leadership and designated authority, the Board of Directors discuss and approve matters pertaining to Strategic Planning, Business Plan, Policies and Procedures, Annual Report, Financial Statements, Appointment of External Auditors and Strategic Partnerships. Furthermore, other matters such as strategic decisions, investment fund proposals, provisions and write-off limits or credit and exposure limits may require the Board's approval as per the internal designated authority limits.

E.5. Transactions with Related Parties

Details of transactions with related parties are indicated in detail in Note 24 of the consolidated financial statements for the fiscal year ended 31st December, 2022. All related party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

E.6. Approval process for Connected Counterparty Transactions

All connected counterparty exposures (within the CBB defined limits) will be approved by the appropriate approving authority as per the Delegate Authority Limit (DAL). Where the approving authority as per DAL is connected / interested, the approval authority shall move to the next level.

In determining whether to approve a Connected Counterparty Transaction, the requesting and approving authority will consider, among other factors, the following factors to the extent relevant to the Connected Counterparty Transaction:

- Exposures to connected counterparties may be justified only when undertaken for the clear commercial advantage of the bank, when negotiated and agreed on an arm's length basis, and when included in the policy statement agreed with the Central Bank.
- No Islamic facilities provided by a bank to its own external auditors shall be permitted (External auditors include firm/ partnership, the partners, the directors and managers of the audit firm). In addition, unless provided for in the contract, off-balance sheet restricted investment accounts will not be permitted to participate in on-balance sheet corporate funding and vice versa and movement within restricted investment accounts is not permitted unless specifically permitted under a valid contract between the bank and the relevant client.
- Whether the terms of the Connected Counterparty Transaction are fair to the Bank and on the same basis as would apply if the transaction did not involve a Connected Counterparty;
- Whether there are business reasons for the Bank to enter into the Connected Counterparty Transaction;
- Whether the Connected Counterparty Transaction would impair the independence of an outside director and;
- Whether the Connected Counterparty Transaction would present an improper conflict of interests for any director or executive officer of the Bank, taking into account the size of the transaction, the overall financial position of the director, executive officer or Connected Counter Party, the direct or indirect nature of the director's, executive officer's or Connected Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the ARC deems relevant.
- The bank must not undertake exposures to controllers as defined under Chapter GR-5 or to subsidiaries of such, however, smaller shareholders will be subject to normal exposure limits outlined under CM-4.4.5. Directors who are also controllers (or the appointed board representatives of such controllers) are subject to a 0% limit.
- The Central Bank's prior written consent should be obtained for any credit facilities provided to an employee where the amount of such facility, either singly or when added to an existing facility/existing facilities outstanding to that employee at that date, would be equal to or in excess of BD 100,000 (Bahrain Dinars One Hundred Thousand), or its equivalent in foreign currency. Banks must notify the Central Bank in writing of any senior employee who fails to discharge his repayment obligations.

- Reciprocal cross-holdings of capital between a bank and its "controllers", which artificially inflate the capital of licensee concerned, are not permitted. Any cross-holdings that occur due to acquisitions or takeovers must be deducted from the concerned bank's capital. Any member of the Board who has an interest in the transaction under discussion will abstain from voting on the approval of the Connected Counterparty Transaction.

E.7. Ownership of shares by Government entities

Authority Name	Government	Shares Owned	% of Shares Owned
General Pension And Social Security Authority	UAE	31,386,606	0.82%
California Public Employees Retirement	USA	7,358,906	0.19%
Utah State Retirement System	USA	145,375	0.00%
Beit Alquran	Bahrain	8,516	0.00%

E.8. Review of internal control and processes

Internal control is a process affected by the Board of Directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the Bank. The Board of Directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organisation must participate in the process.

The main objectives of the internal control process can be categorised as follows:

1. Efficiency and effectiveness of activities (performance objectives);
2. Reliability, completeness and timeliness of financial and management information (information objectives); and
3. Compliance with applicable laws and regulations (compliance objectives).

Also, the internal control system of the Bank consists of five (5) interrelated elements:

i. Management oversight and the control culture;
ii. Risk recognition and assessment;
iii. Control activities and segregation of duties;
iv. Information and communication; and
v. Monitoring activities and correcting deficiencies.

E.9. GFH's Client Charter

In line with the CBB requirements, GFH has developed a client's charter which outlines the commitments made by GFH in respect of the quality of services and products delivered to its clients and shareholders. The client's charter, which is available on the bank's website, is an assurance that services provided by the Bank will comply with quality standards. Generally, quality standards are standards that will fulfill clients' and shareholders' needs and expectations.

The client charter also incorporates GFH's Complaints handling procedures and encourages the clients and its shareholders to report any alleged wrongful conduct, malpractice or an improper/ unethical behavior of an employee of the bank.

E.9.1 Dealing with Complaints

GFH is committed to providing its clients with the highest standard of service. However, should a client complain because he/she feels GFH has failed to deliver what it has promised, GFH will do everything possible to ensure that such a complaint is dealt with fairly, promptly and effectively. The information provided here will show you how to:

i. Make a complaint.
ii. Escalate if you are not satisfied with the response provided by GFH in response to your complaint.
iii. Take further action if you are still dissatisfied with the outcome.

- *Mechanism for submitting Complaints:*

  The complaint must be in writing and should be addressed to the Investors' Relations Department and must be marked to the GFH's Compliance Department.

  In compliance with the directives of the Central Bank of Bahrain, GFH has appointed a Complaints Handling Officer, who is responsible for ensuring that the client complaint is acknowledged, properly investigated, and that the Bank's response is adequately communicated to the client.

- *Options for submitting Complaint:*

  a) Hand delivery to GFH's Office (reception) located at 28th Floor, East Tower, Bahrain Financial Harbour, Manama
  b) Via Fax to the following number +973 17 540006
  c) Courier or post to the following address:
  Complaint Handling Officer GFH Financial Group B.S.C. 28th Floor, East Tower Bahrain Financial Harbour PO Box 10006 Manama, Kingdom of Bahrain
  d) Or scan and email the written complaint to: iservice@gfh.com

- *What happens once your complaint is submitted?*

a) Once a client complaint has been submitted, we will acknowledge within five (5) working days.
b) The client complaint will be referred to the concerned person/department which will investigate it thoroughly and a written response detailing the outcome of our investigation and our decision shall be provided within four (4) weeks of receiving the complaint.
c) In the unlikely event that the complaint is not answered within the timeframe mentioned in point (b), we will write the reasons why there has been a delay and the additional action that we will take including when we anticipate to have concluded our investigation.
d) After receiving the final response to the complaint, and if the client is still not satisfied, he/she can write directly to the Consumer Protection Unit of the Central Bank of Bahrain or he/she can submit the case through the "Complaint form" available on the Central Bank of Bahrain website www.cbb.gov.bh, within 30 calendar days from the date of receipt of our final response.
e) All correspondences in relation to the complaint and records must be retained by GFH for a period of five (5) years from the date of receipt of the complaint.

E.9.2. Whistle-blowing

- *Report an Incident*

  Whistleblowers are encouraged to report any observed wrongful conduct, malpractice or an improper/unethical behavior to the Bank through the following means:

  Report to 'Head of Compliance' or 'Head of Internal Audit' by sending an email at whistleblow@gfh.com; alternatively, send a letter by post at the below address:
  Head of Compliance / Head of Internal Audit
  GFH Financial Group B.S.C, 30th Floor, East Tower Bahrain Financial Harbour,
  P.O. Box 10006, Manama, Kingdom of Bahrain

- *Protection Rights for Whistleblowers*

a) GFH is committed to the protection of Whistleblowers against any possible retaliation or reprisals, whether actual or threatened as a result of their whistleblowing.
b) The Whistleblower's identity, the nature of the report, and the suspected person's identity are strictly confidential.
c) Retaliation against an individual, who in good faith, had made a complaint, disclosed information relating to a complaint or otherwise participated in an investigation relating to a complaint is prohibited regardless of the outcome of the investigation.
d) The Board Audit & Risk Committee of the bank will be responsible to assess the incident reported and will decide the course of action.

E.10. Details of penalties paid

Nil during 2022

E.11. Systems and controls for compliance with Sharia and AAOIFI standards

In pursuance with the provisions of its Articles of Association, GFH Financial Group has always carried out its banking activities in compliance with Islamic Sharia principles that constitute an integral part of the entire policies of the Bank. Tasks managed by Sharia Department of GFH include the followings:

1. Ensuring that the necessary approvals of the SSB have been obtained for each project.
2. Ensuring compliance of projects with the Sharia provisions indicated in the Prospectus and the approved structure of the project.
3. Reviewing the financial statements and other issues related to the projects and ensuring that they are in compliance with the Sharia principles.
4. Ensuring that the projects are in compliance with Fatwas and recommendations of the SSB of GFH and the other Sharia Boards, if any.
5. Ensuring that the approval of the SSB is obtained for each financial instrument (such as sale transactions, financing, currency conversion, Sukuks, deposits, etc.), including the approved and concluded contracts and agreements.
6. Reviewing the financial statement to ensure full compliance with the Sharia principles and the requirements and provisions of the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI) as modified by the CBB.
7. Ensuring that all the products and the structures thereof are in compliance with AAOIFI's standards.

For earnings prohibited by Sharia, please refer note of the consolidated financial statements for the fiscal year ended 31st December 2022.

E.12. Board Code of Conduct

The Board has approved a code of conduct for all staff of the Bank and the Board members. The Code includes guidance on dealing with conflict of interests, insider trading, key person dealing, receiving gifts, system & controls framework, confidentiality etc. It also binds the Directors, Executive Management and staff to the highest standard of professionalism and diligence on discharging their duties. All Board members and senior management of the Bank have affirmed compliance with the Code of Conduct. Board members are excluded from dealings in matters related to an external entity where they hold a position. Any breach of the code is reported to the Board NRGC by the Corporate Secretary, Head of Compliance or the Head of Human Resources. The Board NRGC is responsible to take the necessary action.

E.13. Board Conflict of Interest

Any conflict of interest that might arise from the Board members is governed by the Board Conflict of Interest Policy. Each Board member is required to annually disclose any potential conflict of interest that might arise during the term of their membership. Any transaction that has occurred during their term as a Board member must be disclosed to the Board through the Conflict of Interest Reporting Form. Any conflict of interest arising from any Board member must be ratified by the Board, and the respective Board member will be refrained from voting on that matter.

E.14. Employment of Relatives

The Group maintains Employment of Relatives policy to prevent any potential for favoritism and conflict of interest in decision-making due to factors of kinship in relationships among employees within the Group regardless of difference in department and reporting line. The Group does not permit the employment of relatives (direct family of the employee up to fourth degree and up to the second degree for the employee's spouse) of current Employees. This restriction is not limited to the recruitment and selection only but is also applicable on existing employee of the group in case he/she marries another employee of the group.

All Departmental Head are required to promptly report to Head of Human Resource any changes in status of their respective team-members. Also, all employees are urged, if in doubt, to consult with their respective supervisors and the Human Resource department.

E. 15 Remuneration related disclosures

GFH's total compensation approach, which includes the variable remuneration policy, sets out GFH's policy on remuneration for Directors and senior management and the key factors that are taken into account in setting the policy.

The key features of the proposed remuneration framework are summarised below.

Remuneration strategy

It is GFH's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. GFH's variable remuneration policy will be driven primarily by a performance- based culture that aligns employee interests with those of the shareholders of GFH. The variable remuneration policy helps ensure effective alignment of remuneration with prudent risk-taking by senior management in the conduct of business.

A robust and effective governance framework ensures that GFH operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the CEO and the Nomination and Remuneration Committee of the Board (NRGC).

The quality and long-term commitment of all our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with GFH, and who will perform their role in the long-term interests of our shareholders. GFH's reward package is comprised of the following key elements:

1. Fixed pay;
2. Benefits;
3. Annual performance bonus;
4. Commission for sales staff;
5. Co-investment plans;
6. Remuneration for senior management from participation in boards of investee entities; and
7. The long-term performance incentive plan

GFH's remuneration policy in particular, considers the role of each employee and has set guidance on whether an employee is a Material Risk Taker and/or an Approved Person in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within GFH and an employee is considered a Material Risk Taker if they are the Head of a significant business line or any individuals within their control who has a material impact on GFH's risk profile.

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarised in our performance management system. This assessment also takes into account adherence to GFH's values, risks and compliance measures and above all integrity. Altogether, performance is therefore judged not only on what is achieved over the short and long-term but also importantly on how it is achieved, as the NRGC believes the latter contributes to the long-term sustainability of the business.

NRGC role and focus

The NRGC has oversight of all reward policies for GFH's employees. The NRGC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRGC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, compliance with regulations, the business plan, long term objectives and risk profile of GFH.

The responsibilities of the NRGC with regards to GFH's variable remuneration policy, as stated in its mandate, include but are not limited to, the following:-

- Review, monitor and approve the remuneration policies for the approved persons and material risk-takers, which must be consistent with GFH's corporate values and strategy to ensure that they operate as intended.

a) The committee should be responsible for retaining and overseeing outside consultants or firms for the purpose of reviewing the remuneration of approved persons and material risk-takers, administering remuneration plans, or related matters.
b) Ensure that the remuneration of approved persons and material risk-takers is sufficient enough to attracts and retain persons of the quality needed to run GFH successfully, but that bank avoids paying more than is necessary for that purpose.

c) Approve the individual remuneration amounts, packages and total compensation for each approved person and material risk-taker and make recommendations to the Board of the total variable remuneration (bonus pool) to be distributed, taking account the total remuneration, including salaries, fees, expenses, bonuses and other employee benefits.
d) Evaluate the performance of approved persons and material risk-takers in light of GFH's corporate goals, agreed strategy, objectives and business plans.
e) The committee shall be responsible to the Board for the overview of any employee benefit trust (EBT) or similar arrangements adopted for the purpose of administering the deferred incentive arrangements (including share schemes) of GFH.
f) Ensure that variable remuneration for material risk-takers forms a substantial part of the total remuneration of approved persons and material risk-takers (other than the risk management, internal audit, operations, financial controls, internal Shari'a review/audit, AML and compliance functions personnel.
g) Ensure that for approved persons in risk management, internal audit, operations, financial controls, internal Shari'a review/audit, AML and compliance functions the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
h) Ensure that the system includes effective controls including stress testing and back testing results of the remuneration policy and that the system's practical operation is regularly reviewed for compliance with regulations, internal policies and bank procedures.
i) Review remuneration outcomes, risk measurements and risk outcomes regularly for consistency with the Board's approved risk appetite, for submission for the Board for its review.
j) Review cases where any ex-ante risk adjustments are to be used to take into account severe but plausible scenarios to the variable remuneration as per GFH's variable remuneration policy.
k) Review cases where the bonus is diminished by exercise of Malus and Clawback adjustments.
l) Question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payout.
m) Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves to not using personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment affects embedded in their remuneration arrangements.

As outlined in the Corporate Governance section of the Annual Report, the Board is satisfied that all non-executive Directors are independent including the NRGC members. The NRGC comprises of the following members:

NRGC Member Name	Appointment date	Resignation / Restructured date	Number of meetings attended 2022	Number of meetings attended 2021
Mr. Ghazi AlHajeri	25th April 2017	-	2 out of 2	1 out of 1
Mr. Fawaz Al Tamimi	29th December 2020	-	1 out of 2	1 out of 1
Mr. Rashid Al Kaabi	29th December 2020	-	2 out of 2	1 out of 1

The aggregate remuneration paid to NRGC members during the year in the form of sitting fees amounted to USD 149K (2021: USD 55K).

Use of consultants:
GFH engaged external consultants to benchmark pay and grading structure to bring it in line with market practices. A consultant was also engaged to develop and update the framework for issuances of Long Term Incentive Plan (LTIP) which has been discussed and approved by the Board's NRCG committee and the Board of Directors.

Scope of application of the remuneration policy
The principles of this remuneration policy apply on a group-wide basis. However, application of deferral requirements and issue of non-cash instruments for each subsidiary of GFH will be determined by applicable local regulations and market norms. Currently, deferral arrangements are applicable only to Bahrain domiciled banking entities within the Group.

Board remuneration
GFH will determine board remuneration in line with the provisions of Article 188 of the Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that variable remuneration in any financial year (sitting fees is not part of variable remuneration) does not exceed 10% of GFH's net profit, after all required deductions outlined in Article 188 have been made. Remuneration of non-executive directors will not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits. Board remuneration is subject to approval of the shareholders in the annual general meeting.

Variable remuneration for staff
Variable remuneration is performance related and consists primarily of the annual performance bonus award. As part of our staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering GFH's strategic objectives.

GFH has adopted a Board approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of meeting both satisfactory financial performance targets and the achievement of other non-financial factors, that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted for determining the variable remuneration pool, the NRGC aims to balance the distribution of GFH's profits between shareholders and employees.

Key performance metrics at GFH level include a combination of short-term and long-term measures and include profitability, solvency, liquidity, risk diversification, strategy implementation and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the quantum of variable remuneration, GFH has implemented a hybrid model by defining a Top Down (profit based) bonus pool funding for its staff. The total bonus pool is capped at a percentage of profit before being assessed for risk. This approach is a starting position and the NRGC may choose to implement a discretionary award for a given year based on affordability for GFH and its assessment of GFH's current and future resource requirements. The bonus pool is adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations), subject to the final discretion of the NRGC. In addition to the annual bonus plan, the Board from time-to-time approves LTIP awards with performance and service conditions to retain key management and incentive achievement of long term performance and strategic measures. These awards vest ratably on an annual basis and can be accelerated or cancelled based on the extent of achievement of targets set for each year.

Under the variable remuneration policy of GFH, placement fees, sales commission or incentives for sales staff is not considered to be part of the variable remuneration (subject to deferral) as it is an integral part of the overall pay structure of the sales and placement staff. Further, these payments are not considered variable remuneration as they are not directly or indirectly linked to GFH-wide performance and are considered activity-based payments.
The NRGC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. NRGC demonstrates that its decisions are consistent with an assessment of GFH's financial condition and future prospects. A special pool is also considered for recoveries made against any legacy investments and legal cases and is approved on a case-by-case basis by the Board of Directors. GFH uses a formalised and transparent process to adjust the bonus pool for quality of earnings. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRGC.

For the overall Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally, considerably contracted where subdued or negative financial performance of GFH occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework.

Remuneration of control and support functions
The remuneration level of staff in the control and support functions allows GFH to employ qualified and experienced personnel in these functions. GFH ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favor of fixed remuneration. In exceptional cases, the approval of the NRGC shall be obtained. The variable remuneration of control functions is to be based on function-specific objectives and is not be determined by the financial performance of the business areas they monitor to avoids conflict of interests related to the business unit they are overseeing.

GFH's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations as well as the market and regulatory environment apart from value adding tasks which are specific to each unit.

Variable compensation for business units
The variable remuneration of the business units is primarily determined by key performance objectives set through the performance management system of GFH. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations as well as market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short- run profits but take different amounts of risk on behalf of GFH are treated differently by the remuneration system.

Risk assessment framework
The purpose of risk linkages to the reward framework is to align variable remuneration to the risk profile of GFH. In its endeavor to do so, GFH considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment play a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy as designed reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes and delivers an appropriate mix of remuneration that is risk aligned.

GFH's NRGC considers whether the variable remuneration policy is in line with GFH's risk profile and ensures that through GFH's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account for all types of risk, including intangible and other risks such as reputation risk, liquidity risk, the cost of capital and the strategic measures. GFH undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. GFH ensures that total variable remuneration does not limit its ability to strengthen its capital base.

The bonus pool takes into account the performance of GFH which is considered within the context of GFH's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events. The size of the variable remuneration pool and its allocation within GFH takes into account the full range of current and potential risks, including:
a) The cost and quantity of capital required to support the risks taken;
b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The NRGC keeps itself abreast of GFH's performance against the risk management framework. The NRGC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned.

Risk adjustments

GFH has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against prior risk assumptions. In years where GFH suffers material losses in its financial performance, the risk adjustment framework will consider the following:

- Need for a considerable contraction of GFH's total variable remuneration.
- At an individual level, poor performance by GFH will mean individual KPIs are not met and hence employee performance ratings may be lower
- Reduction in the distribution of amounts previously earned, through increased deferred compensation, which may be paid once GFH's performance improves
- Reduction in the value of deferred shares or awards
- Possible changes in vesting periods and additional deferral applied to unvested rewards
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous variable awards may be considered.

The NRGC, with the Board's approval, can rationalise and make the following discretionary decisions:

- Take no action
- Increase/reduce the ex-ante adjustment
- Consider additional deferrals or increase in the quantum of non-cash awards
- Recovery through malus and clawback arrangements

Malus and Clawback framework

GFH's malus and clawback provisions allow GFH's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow GFH to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable GFH to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on GFH during the concerned performance year.

Any decision to take back an individual's awards can only be taken by GFH's NRGC. GFH's NRGC takes into account the advice of the CEO, Risk, Finance and HR Departments as appropriate.

GFH's malus and clawback provisions allow GFH's Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include, but not limited to, the following:

- Reasonable evidence of misbehavior or material error by the employee causing harm to GFH's reputation or where his/her/their actions have amounted to misconduct, incompetence or negligence
- The employee's business unit suffers a material downturn in its financial performance or a material restatement of the financial statements of GFH
- The employee's business unit suffers a material risk management failure
- An employee deliberately misled the market and/or shareholders in relation to the financial performance of GFH
- A significant deterioration in the financial health of GFH

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue. Macro-economic impacts (such as COVID-19 related disruptions) that are specific or idiosyncratic to GFH are not considered as basis for malus or clawback.

Components of Variable remuneration

GFH's variable remuneration framework provides for the following key components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of minimum three years.
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year, but released after a retention period of six months.
Deferred annual bonus (DAB) share awards	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of minimum three years and an additional retention period of six months once vested. DAB shares are not subject to any additional performance conditions.
Future performance awards (FPA)	The portion of variable compensation which is awarded to selected employees for future performance conditions. The awards are contingent on the delivery of set performance targets for GFH as well as service conditions on part of employees. These awards comprise individually or a combination of the following: • **Long-term Incentive Plan** (LTIP) Shares, where the employees are compensated in form of shares as a percentage on achievement of some pre-determined performance conditions. • **Profit share,** where the employees are compensated based on a specified percentage of targeted profit for a transaction, distributable on achievement of targeted return. • **Carried Interest,** where the employees are compensated a specified percentage of fair value gain on investments once it achieves a specified hurdle rate on realisation. • **Co-investment,** wherein as portion of variable remuneration is awarded in the form of an investment made by GFH which is encashable by employee on Bank's exit from the investment. • **Sales/recovery incentive,** where the employee or a team is compensated on the basis of a specified percentage of a sales value of an investment on successful exit or recovery of an asset.

Employee Share Ownership Loan Scheme

GFH may also implement an employee share ownership loan scheme (ESOL Scheme) from time to time to be implemented under any of the Share Incentive Scheme it develops. Such ESOL Scheme, if implemented, shall allow employees to increase their participation in GFH Shares through the utilisation of financing advanced by GFH and the right to acquire GFH shares at the pricing determined in accordance with the applicable ESOL Scheme. The ESOL Scheme is designed to enable eligible participants to increase their holdings of GFH shares on favourable terms but under the funding of the participants themselves. The existing LTIP plans includes embedded leverage options.

Establishment of the Trust Instrument

GFH has established a GFH Employee Benefit Trust instrument to hold and manage its deferred staff benefits related to the Variable Remuneration policy. The Trustees shall undertake all of the duties set out in the Bahrain Trust Law and the Trust Instrument.

Deferred compensation

All approved persons and material risk-takers earning over BHD 100,000 in total compensation are subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, his deputies and other 5 most highly paid business line employees	Other covered staff	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	50%	immediate	–	–	Yes
Upfront shares	-	0%-10%	immediate	6 months	Yes	Yes
Deferred cash	0%-10%	-	Over 3 years	–	Yes	Yes
Deferred share awards	0%-50%	0%-50%	Over 3 years	6 months	Yes	Yes
Other Non-Cash Awards or FPA	0%-60%	0%-50%	Performance linked	6 months	Yes	Yes

The NRGC, based on its assessment of role profile and risk taken by an employee could increase the coverage of employees that will be subject to deferral arrangements. For the purpose of calculation of benefits, the value of employee benefit on date of the issuance of the award (and to be recognized in the P&L) is considered for the purposes of calculation of total variable compensation and all other measures under the variable remuneration policy.

All deferred and future performance awards are subject to malus provisions. All share awards and related dividends are released to the benefit of the employee after a six-month retention period from the date of vesting. The number of equity share awards is linked to GFH's share price as per the rules of GFH's Share Incentive Scheme.

Details of remuneration paid

(a) Board of Directors

US$ 000's

	2021 (USD '000)	2022 (USD '000)
Sitting fees	55	149
Remuneration	2,400	1,200
Total	2,455	1,349

These above disclosures pertain to information related to the remuneration paid by GFH Financial Group BSC only and excludes any remuneration paid by subsidiaries which are governed by applicable laws for each entity.

Name	Fixed remunerations: Remunerations of the Chairman and BOD	Total allowance for attending Board and committee	Salaries	Others	Total
First: Independent Directors					
Alia Al Falasi	22,500	9,000	-	-	31,500
Ghazi Al Hajer	90,000	5,000	-	-	95,000
Fawaz Al Tamimi	22,500	4,000	-	-	26,500
Ali Murad	67,500	4,000	-	-	71,500
Ahmed Al Ahmadi	67,500	9,000	-	-	76,500
Edris Al Rafi	-	10,000	-	-	10,000
Amro Almenhali*	67,500	-	-	-	67,500
Bashar Al-mutawa*	22,500	-	-	-	22,500
Mazin Alsaeed*	22,500	-	-	-	22,500
Mosabah Almutairi*	67,500	-	-	-	67,500
Second: Non-Executive Directors:					
Jassim Alseddiqi	150,000	4,000	-	-	154,000
Rashed Alkaabi	90,000	5,000	-	-	95,000
Third: Executive Directors:					
Sheikh Ahmed AlKhalifa**	180,000	1,000	-	-	181,000
Hisham Alrayes	90,000	4,000	-	-	94,000
Mustafa Kheriba*	90,000	-	-	-	90,000
Total	**1,050,000**	**55,000**	**-**	**-**	**1,105,000**

Note: All amounts in US Dollars.

** These directors either resigned or their term ended during the year 2022. The remuneration they received during the year 2023 relates to the year 2023.*

*** This director resigned during the year 2022. The remuneration he received during the year 2023 relates to the year 2022.*

Notes:

1. *GFH does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.*
2. *Board remuneration represents payments made during the year 2023 based on approval of the Annual General Meeting dated 26th March 2023.*

(b) Employee remuneration

Executive Management Remuneration Details for Top 6 Executives:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Remunerations of top 6 executives, including CEO and CFO	1,014,907	1,281,800	1,922,700	4,219,407

Note: All amounts in Bahraini Dinars.

Notes:

1. *A significant portion of executive management remuneration are subject to deferral over a minimum period of 3 years as per regulations of the Central Bank of Bahrain. In addition to the paid benefits reported above, the Bank also operates a long-term share incentive scheme award that that allows employees to participate in a share-ownership plan. The Bank allocates shares awards that vest over a period of 6 years under normal terms and are subject to future performance conditions. The non-cash accounting charge recognized for 2022 amounted to BD 2,613 thousand determined in accordance with the requirements of IFRS 2. Refer to the Remuneration related and share-based payment disclosures in the Annual Report for a better understanding of the Bank's variable remuneration framework components.*
2. *Remuneration details exclude any Board remuneration earned by executive management from their role in investee companies or other subsidiaries.*

US$ 000's

2022				Variable Remuneration					
				Upfront			Deffered		
Type of employees		Number of staff	Fixed remuneration	Cash	Shares[3]	Commision	Cash	Shares[3]	Total Commision
	Business Lines	9	3,987	4,691	-	1,865	1,773	7,288	19,604
Approved Persons	Control & Support	9	2,249	1,140	-	-	70	1,065	4,523
Other Material risk Takers		36	4,834	1,341	-	2,560	-	18	8,753
Other Employees: Bahrain Operations		68	5,006	2,330	-	-	-	-	7,336
Other Employees: Other Subsidiaries[1]		13	1,544	176	-	405	-	-	2,125
TOTAL		**135**	**17,620**	**9,678**	**-**	**4,830**	**1,843**	**8.370**	**42,341**

Notes:

1. *The above disclosures exclude remuneration details of Khaleeji Commercial Bank BSC (KHCB) and Projects of GFH (India, Tunis and Morocco, Al Areen Hotel etc) that are consolidated and only include staff of GFH Capital (UAE & KSA) and GFH Properties SPC, which are integral to the business of GFH. Information pertaining to KHCB is separately available within their annual report.*
2. *The financial information is presented based on final approvals by the NRGC and Board of Directors and awards communicated to employees subsequent to the issue of the consolidated financial statements.*
3. *The amounts attributed to share awards are based on the final allocation of bonus pool to deferred share awards after the issue of the financial statements. Additional accounting charge arising due to fair value adjustments on share awards will be reflected in the subsequent accounting periods. Accordingly, the information reported in the table above may not necessarily match with the accounting charge reflected for the financial year. GFH has also announced various Long Term Incentive Plan (LTIP) awards which includes an upfront vested tranche, which has been considered above as performance bonuses in shares for the purpose of deferral calculations. The LTIP benefit has been measured equivalent to the accounting expense and the cost of LTIP will be recognised ratably over the vesting period of up to 6 years.*
4. *In addition to the compensation reported above, severance payments made during the year 2022 amounted to US$ 99,148.12 of which the highest paid to a single person in 2021 amounted to US$ 1,131.*

US$ 000's

2021				Variable Remuneration					
				Upfront			Deffered		
Type of employees		Number of staff	Fixed remuneration	Cash	Shares[3]	Commision	Cash	Shares[3]	Total Commision
	Business Lines	9	4,194	5,789	159	850	941	7,743	19,676
Approved Persons	Control & Support	9	2,343	1,100	-	-	-	970	4,413
Other Material risk Takers		31	4,359	1,393	79	2,750	-	-	8,581
Other Employees: Bahrain Operations		54	4,078	1,680	-	-	-	-	5,758
Other Employees: Other Subsidiaries[1]		44	4,381	913	-	390	-	-	5,684
TOTAL		**147**	**19,355**	**10,875**	**214**	**3,990**	**941**	**8,713**	**44,112**

(c) Deferred awards

US$ 000's

2022	Cash	Shares: Number	Shares: USD	Total
Opening balance	2,200	114,094,708	15,076	17,276
Awarded during the period	1,843	145,490,734	22,532	24,375
Paid out / released during the period*	(704)	(94,193,520)	(12,398)	(13,102)
Service, performance and risk adjustments	-	-	-	-
Bonus share and other corporate events	-	4,461,209	-	-
Closing balance	**3,399**	**169,853,131**	**25,210**	**28,549**

** Includes vested LTIP tranche for the performance year 2022 (to be released in 2023)*

US$ 000's

2021	Cash	Shares: Number	Shares: USD	Total
Opening balance	2,077	195,194,192	17,082	19,159
Awarded during the period	941	32,211,032	8,951	9,892
Paid out / released during the period*	(818)	(118,150,886)	(10,873)	(11,691)
Service, performance and risk adjustments	-	(1,369,114)	(84)	(84)
Bonus share and other corporate events	-	6,249,484	-	-
Closing balance	**2,200**	**114,094,708**	**15,076**	**17,276**

 # Includes vested LTIP tranche for the performance year 2021 (released in 2022)

Notes:

The total number of shares include additional employee participation through ESOL approved by the NRGC. However, the value reported above only reflects the fair value benefit that has accrued to the benefit of the employee on award/ modification dates. These are not necessarily reflective of issue price of share awards.

These above disclosures exclude information related to KHCB which is available separately in their annual report.

GFH's Risk Management & Capital Adequacy practices and processes; continue to be fully aligned to Basel III capital rules for banks as this report will detail in full.

Risk & Capital Management

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Percent

In 2022, GFH's total Capital Adequacy Ratios was standing safely at 14.71%.

1. EXECUTIVE SUMMARY

This report contains a description of the Bank's risk management and capital adequacy practices and processes, including detailed information on the capital adequacy process. The report is prepared in accordance with Pillar III disclosure requirements prescribed by the Central Bank of Bahrain, herein referred to as "CBB". CBB's Basel III capital rules and guidelines became effective on 1st January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision's (Basel Committee) Basel III capital adequacy framework for banks incorporated in the Kingdom of Bahrain.

The disclosures in this report are in addition to or in some cases, serve to clarify the disclosures set out in the consolidated financial statements for the year ended 31 December 2022, presented in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). To avoid any duplication, information required under PD module but already disclosed in other sections of Annual Report has not been reproduced. These disclosures should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

The Bank's Tier I and total capital adequacy ratios comply with the minimum capital requirements under the CBB's Basel III / IFSB for Islamic financial institutions framework.

The Group's total risk weighted assets as at 31 December 2022 amounted to USD 7,294,927 thousand. Credit risk accounted for 93.5 percent, operational risk 5.9 percent, and market risk 0.6 percent of the total risk weighted assets respectively. Tier I and total regulatory capital were USD 1,020,246 thousand and USD 1,072,873 thousand respectively, as at 31 December 2022.

At 31 December 2022, Group's CET1 and T1 capital adequacy ratios were at 13.99% and total capital adequacy ratios was at 14.71%.

2. INTRODUCTION

The Basel III framework consists of three mutually reinforcing pillars:

i. **Pillar I:** Minimum capital requirements for credit risk, market risk and operational risk.
ii. **Pillar II:** Supervisory review of capital adequacy including Internal Capital Adequacy Assessment process (ICAAP)
iii. **Pillar III:** Market discipline including rules for disclosure of risk management and capital adequacy.

2.1. Pillar I

Pillar I prescribes the basis for the calculation of the regulatory capital adequacy ratio. Pillar I defines the regulatory minimum capital requirements for each bank to cover the credit risk, market risk and operational risk inherent in its business model. It also defines the methodology for measurement of these risks and the various elements of qualifying capital. The capital adequacy ratio is calculated by dividing the regulatory capital base by the total Risk Weighted Assets (RWAs).

The resultant ratio is to be maintained above a predetermined and communicated level. The CBB also requires banks incorporated in Bahrain to maintain a 12.5% minimum Total Adequacy Ratio including the above Capital Conservation Buffer (CCB) requirement of 2.5%.

In the event that the capital adequacy ratio falls below 12.5% (consolidated), additional prudential reporting requirements apply, and a formal action plan setting out the measures to be taken to restore the ratio above the target level is to be formulated and submitted to the CBB. Consequently, the CBB requires GFH to maintain a minimum capital adequacy ratio of 12.5% (consolidated).

The table below summarizes the Pillar I risks and the approaches used by the Bank to calculating the RWAs in accordance with the CBB's Basel Capital Adequacy Framework.

Risk Type	Approach used by GFH
Credit risk	Standardised Approach
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

2. INTRODUCTION (contd.)

2.2. Pillar II

Pillar II deals with the Supervisory Review and Evaluation Process (SREP). It also addresses the Internal Capital Adequacy Assessment Process (ICAAP) to be followed by Banks to assess the overall capital requirements to cover all material risks (including those covered under Pillar I).

The ICAAP enables the bank to review the capital impact of assessed Pillar I and Pillar II risks as well as to examine new risk dimensions coming out of existing and new businesses / products. It acts as a mechanism for the evaluation of the long-term strategic growth plans and the short-term annual business plans based on projected risk profile and capital under both expected and adverse scenarios.

The Bank has decided to adopt a Pillar I + Pillar II approach for capital estimation as recommended under CBB guidelines and Basel framework. Under this approach, the banking institutions calculate the Pillar I capital or minimum regulatory capital requirements in accordance to CBB's CAR guidelines under the Basel III framework. Secondly, additional capital or pillar II capital requirement is calculated separately based on an "add-on" approach, where the additional capital requirements are added onto the calculated Pillar I capital requirements, to arrive at the Bank's internal capital requirements.

GFH conducts periodic stress testing of its portfolio as part of the ICAAP process. GFH's objective of stress testing for its ICAAP is to ensure that the Bank can always meet its capital requirements in a forward-looking manner, including throughout a reasonably severe economic recession or other scenarios specific to the Bank's portfolio and risk profile. The results of the stress tests assist the Bank in ascertaining whether it has sufficient capital in periods of stress.

2.3. Pillar III

In the CBB's Basel framework, the Pillar III prescribes how, when, and at what level information should be publicly disclosed about an institution's risk management, governance and capital adequacy practices. The disclosures comprise detailed qualitative and quantitative information. The purpose of the Pillar III disclosure requirements is to complement the first two Pillars and the associated supervisory review process. The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite and risk exposures and to encourage all banks, via market pressures, to move towards more advanced forms of risk management.

The current regulations require partial disclosure consisting mainly of quantitative analysis during half year reporting and fuller disclosure during year end to coincide with the financial year-end reporting.

3. OVERALL RISK AND CAPITAL MANAGEMENT

3.1. Risk management framework

GFH perceives strong risk management capabilities to be the foundation in delivering results to customers, investors and shareholders. The Bank will continue to enhance its existing framework and adopt international best practices of risk management, corporate governance and the highest level of market discipline.

The primary objectives of the risk management framework of the Bank are to:

- Identify & Manage risks inherent in the Bank's activities in line with the risk appetite of the Bank;
- Strengthen the Bank's risk management practices to reflect the industry best practices; and
- Align internal capital requirements with risk materiality.
- Assign the teams in mitigating the existing & emerging risks in the business

The risk strategy is articulated through the limit structures and targets for individual risks. These limits are based on the Bank's business plans, its risk appetite and guided by regulatory requirements and guidance in this regard. The risk limits reflect the level of risk that GFH is prepared to take in order to achieve its objectives. The Bank reviews and realigns its risk limits as per its evolving business plan and taking into consideration changes in economic and market scenarios. The Bank also assesses its tolerance for specific risk categories and its strategy to manage these risks. The limits outline the Bank's risk exposures and defines its tolerance levels towards accepting or rejecting these risks. Tolerance levels are reflected in the limits defined by the Bank for each risk area.

Building Blocks of Risk Management Framework:

The Board of Directors has the overall responsibility for establishing risk culture and ensuring that an effective risk management framework is in place.

The diagram below represents the Bank's overall risk management framework and its components:

The risk management framework of the Bank encapsulates the spirit of the following key principles for Risk Management as articulated by Basel and CBB:

- Active Board and senior management oversight and control;
- Independent Risk Management function;
- Board driven sound risk management culture and ownership;
- Appropriate policy, procedures and limits;
- Risk recognition and assessment;
- Control activities and segregation of duties;
- Information and communication;
- Monitoring Risk Management activities and correcting deficiencies;
- Comprehensive and timely identification, measurement, mitigation, controlling, monitoring and reporting of risks;
- Appropriate MIS at a business and Bank-wide level; and
- Comprehensive internal controls.

3.2. Risk governance structure

The Risk Governance structure of the Bank is depicted by the following diagram:

Level 1	Board of Directors Sharia Supervisory Board	Internal Audit
Level 2	Board Committees • Board Nominations, Remuneration and Governance Committee (NRGC) • Board Investment Committee • Board Audit & Risk Committee (ARC)	
Level 3	Senior Management Committees • Management Committee (MANCOM) • Management Investment Committee • Assets Liability Management Committee (ALCO) • Valuation Committee • Wakala Committee • Policies & Procedure Committee	
Level 4	Risk Management Department • Credit & Investment Risk • Market Risk • Liquidity Risk • Operational Risk	
Level 5	Desktop level procedures, systems and controls in day to day business	

3. OVERALL RISK AND CAPITAL MANAGEMENT (contd.)

3.2. Risk governance structure (contd.)

Our Board of Directors has overall responsibility for establishing our risk culture and ensuring that an effective risk management framework is in place. The Board of Directors approves and periodically reviews our risk management policies and strategies. The Board Audit & Risk Committee ('ARC') is responsible for providing an independent assurance to the Board about the effectiveness of risk management, internal controls, the accounting policies, financial reporting and disclosure practices of the Bank by organizing and managing the internal and external audits and examination of the entire spectrum of the Bank's activities and reporting the findings of such audits and examination to the Board.

The key element of our risk management philosophy is for the Risk Management Department ('RMD') to provide independent monitoring and control while working closely with the business units which ultimately own the risks. The Chief Risk Officer reports to the Board Audit & Risk Committee and administratively to the Group CEO.

The RMD plays a pivotal role in monitoring the risks associated with various activities of the Bank. The principal responsibilities of the department are:

- Monitoring the Bank's risks against the Board approved risk appetite.
- Developing and reviewing risk management policies in accordance with the risk management guidelines issued by the CBB, Basel Guidelines, IFSB and international best practices.
- Implementation of risk policies and ensuring that risk policies and practices are adequately built in Business Unit's departmental policies.
- Identifying and recommending risk analysis tools and techniques as required under guidelines issued by Basel, CBB and IFSB and in accordance with best business practices.
- Reviewing the adequacy of the risk limits and providing feedback to the relevant authorities.
- Preparing quarterly risk reports and other risk items and MIS reports for review by various Board and Senior Management level committees.
- Supports the Business Units in identification and management of day-to-day risks.
- Developing systems and resources to review the key risk exposures of the Bank and communicating the planned/ executed corrective actions to various Board and Senior Management level Committees.
- Adherence to regulatory risk reporting requirements and monitor them

3.3. Capital Management

The Bank's policy is to maintain a strong capital base and meet the capital requirements imposed by the regulator (CBB), so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also monitored and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital is primarily driven by regulatory requirements. The Bank seeks to maximise return on capital while satisfying all the regulatory requirements.

The Bank has put in place a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) that includes Board and Senior Management oversight, monitoring, reporting and internal control reviews, to identify and measure the various risks that are not covered under Pillar I risks and to regularly assess the overall capital adequacy considering the risks and the Bank's planned business strategies. The non-Pillar I risks covered under the ICAAP process include concentration risk, liquidity risk, profit rate risk in the banking book and other miscellaneous risks.

The Group does not have a trading book. The Group aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Bank and the group as a whole. In implementing current capital requirements CBB requires the Bank and the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- **Tier 1 capital:** includes CET1 and AT1

  CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

  AT1 comprise of instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of the Bank held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

- **Tier 2 capital:**

  Includes instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital, stock surplus resulting from issue of Tier 2 capital, instruments issued by consolidated banking subsidiaries of the Bank held by third parties that meet the criteria for inclusion in Tier 2, general provisions held against unidentified losses on financing and qualify for inclusion within Tier 2, asset revaluation reserve from revaluation of fixed assets and instruments purposes and regulatory adjustments applied in the calculation of Tier 2 capital.

The regulations prescribe higher risk weights for certain exposures that exceed materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of banking and financial entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

3.4. Risk types

The Bank is exposed to various types of risk.

Risks in Pillar 1	• Credit risk • Market risk • Operational risk
Risks in Pillar 2	• Liquidity risk • Concentration risk • Profit rate risk in banking book • Reputational risk • Other risks – including strategic risk, pillar 1 residual risks etc.

The details of components of risks and how they are managed are discussed in the following sections of this document.

3.5. Monitoring and reporting

The RMD, together with the Internal Audit, provide independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors. The monitoring and reporting frequency depends on the severity and volatility of the risk factor as set out in the respective policies. Risk reports are regularly presented to the Senior Management committees, ARC and Board as per the reporting requirements set in the risk policies. In addition, the RMD submits a quarterly Risk Overview Report (ROR) to the Board Audit & Risk Committee. The ROR describes the potential issues for a wide range of risk categories and classifies the risks. The ROR also provides management comments as to how risk factors are being addressed and mitigated by the Bank. The Bank has established an adequate system for monitoring and reporting risk exposures and capital adequacy requirements. These reports aim to provide the Senior Management and Board level committees with an up-to-date view of the risk profile of the Bank.

3. OVERALL RISK AND CAPITAL MANAGEMENT (contd.)

Group structure

The consolidated financial statements for the year comprise of the financial statements of the Bank and its subsidiaries (together referred to as "the Group") as at 31 December 2022. The Group's financial statements are prepared and published on a full consolidation basis, with all material subsidiaries being consolidated in accordance with AAOIFI. Please refer to notes 4 in the consolidated financial statements for more details on the accounting policies for investments, including subsidiaries and associates of the Bank.

The principal subsidiaries and associates as at 31 December 2022 and their treatment for capital adequacy purposes are as follows:

		Treatment by the Bank	
Entity name	**Entity classification as per CBB Rules & Guidelines**	**Consolidated basis**	**Solo basis**
Khaleeji Commercial Bank BSC ('KHCB')	Banking subsidiary	Full consolidation	Full deduction from capital
GBCORP B.S.C (c)	Financial entity	Full consolidation	Full deduction from capital
GFH Sukuk Limited	Financial entity	Full consolidation	No impact as no direct investment by the Bank and the entity is a securitisation vehicle.
GFH Capital Limited	Financial entity	Full consolidation	Full deduction from capital
GFH Capital Limited KSA	Financial entity	Full consolidation	Full deduction from capital
Gulf Holding Company KSC (c)	Commercial entity	Risk weighting of investment exposure	
KHCB Asset Company	Financial entity	Full consolidation	No impact as no direct investment by the Bank and the entity is a securitisation vehicle.
Delmon Lost Paradise Project Company 1 WLL	Commercial entities	Risk weighting (look through approach) approved by the CBB on 12 June 2019.	
Delmon Lost Paradise Project Company 2 WLL			
Harbour North 1 Real Estate WLL			
Harbour North 2A Real Estate WLL			
Harbour North 2B Real Estate WLL			
Harbour North 3 Real Estate WLL			
Harbour Row 4 Real Estate WLL			
Residential South Real Estate Development WLL	**Commercial entity**	**Risk weighting (look through approach) approved by the CBB**	
Roebuck A M LLP ("RAM")	Commercial entity	Risk weighting of investment exposure	
Athena Private School for Special Education ("Athena")	Commercial entity	Risk weighting of investment exposure	
SQ Topco II LLC	Commercial entity	Risk weighting of investment exposure	
GBCORP Tower Real Estate WLL	Commercial entity	Risk weighting of investment exposure	
Big Sky Asset Management LLC	Commercial entity	Risk weighting of investment exposure	
Harbour House Row Towers W.L.L	Commercial entity	Risk weighting of investment exposure	
Al Areen Hotels W.L.L.	Commercial entity	Risk weighting of investment exposure	

** The above list does not include subsidiaries and other SPE holding companies of the Bank set up to supplement the activities of the Bank.*

Associates*	**Entity classification as per PCD Module for consolidated capital adequacy**	**Treatment by the Bank for Consolidated and Solo basis**
Infracorp BSC (c)**	Commercial entity	Risk weighting of investment exposure
Enshaa Development Real Estate BSC (c)	Commercial entity	Risk weighting of investment exposure
Capital Real Estate Projects BSC (c)	Commercial entity	Risk weighting of investment exposure

**Does not include investments that were fully impaired and that do not have an impact on Form PIRI.*

***Risk weighting of investment exposure in accordance with the CBB approval dated 4 April 2022 for Infracorp*

Investments in subsidiaries and associates are subject to Large Exposure and Connected Counter party limits and guidelines set by the CBB. Significant investment in banking subsidiaries and financial entities that exceed the threshold for deduction from capital, the excess should be deducted from the capital of the Group.

i) "During the year, the Bank had large exposures with Infracorp BSC (c), an investment in associate recognized by the Bank during the same period. The Bank sought approval for the exemption to the large exposure limit of 15% and from risk weighting the excess exposure at 800%.

Accordingly, in a letter from CBB dated 4 April 2022, the request for exemption has been approved for a period of one year, subject to annual reassessment."

KHCB, a banking subsidiary of the Bank, is a locally incorporated commercial bank and the specific quantitative and qualitative disclosures pertaining to all the risks of KHCB have been disclosed in the Risk Management Disclosures of KHCB as at 31 December 2022, which is not reproduced in this document and can be accessed through the Annual Report of KHCB. This document provides the Risk and Capital Management Disclosures of the Bank.

This document intends to combine the risk and capital management disclosures of the Bank and its involvement with its subsidiaries and associates. The quantitative disclosures in these documents provide further details of the exposures used for capital calculation purposes (where some entities are consolidated, and some may be risk weighted) and accordingly will not match with the consolidated financial statements of the Group.

There are no restrictions for transfer of capital other than those applicable to licensed financial entities and process of commercial companies' law of respective jurisdictions.

4. COMPOSITION OF CAPITAL

4.1. 3 steps approach to reconciliation between balance sheet in published financial statements and the composition of capital disclosure template

Statement of financial position under the regulatory scope of consolidation and reconciliation of published financial statements to regulatory reporting as at 31 December 2022

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

US$ 000's

As at 31 December 2022	Consolidated Statement of Financial Position as in published financial statements	Consolidated Statement of Financial Position as per Regulatory Reporting	Reference
ASSETS			
Cash and bank balance	858,239	849,770	
Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30	(11)	(11)	A
Treasury portfolio	4,210,020	4,208,151	
Of which Expected Credit Losses (ECL) as per FAS 30	(16,963)	(13,210)	A
Financing assets	1,435,238	1,436,913	
Of which Expected Credit Losses (ECL) as per FAS 30	(64,372)	(27,314)	A
Real estate investments	1,287,085	1,200,845	
Proprietary investments	1,005,053	1,195,433	
Of which Expected Credit Losses (ECL) as per FAS 30	(42)	(42)	A
Of which non-significant investments in financial entities	1	1	B
Of which significant investments in the common stock of financial entity	1,494	1,494	C
Co-investments	142,051	142,051	
Receivables and prepayments	589,869	558,095	
Of which Expected Credit Losses (ECL) as per FAS 30	(9,316)	(227)	A
Property and equipment	232,736	9,688	
Total assets	**9,760,291**	**9,600,946**	

4. COMPOSITION OF CAPITAL (contd.)

US$ 000's

As at 31 December 2022	Consolidated Statement of Financial Position as in published financial statements	Consolidated Statement of Financial Position as per Regulatory Reporting	Reference
LIABILITIES			
Clients' fund	123,300	123,300	
Placements from financial institutions	3,790,870	3,790,870	
Placements from non-financial institutions and individuals	1,064,258	1,064,258	
Customer current accounts	131,234	131,234	
Term financing	1,942,198	1,923,753	
Other liabilities	423,363	333.608	
Total liabilities	7,475,223	7,367,023	
Equity of investment account holders	**1,213,674**	**1,213,674**	
OWNERS' EQUITY			
Share capital	1,015,637	1,015,637	D
Treasury shares	(105,598)	(105,598)	E
Statutory reserve	36,995	36,994	F
Fair value reserve	(53,195)	(53,195)	G
Retained earnings	95,831	95,831	H
Share grant reserve	6,930	6,930	I
Total equity attributable to shareholders of the Bank	**996,600**	**996,600**	
Non-controlling interests	74,794	23,649	
Of which Total minority interest in banking subsidiaries given recognition in CET1 capital	-	23,649	J
Total owners' equity	**1,071,394**	**1,020,249**	
Total liabilities, equity of investment account holders and owners' equity	**9,760,291**	**9,600,946**	

The table below shows the total assets and shareholders' equity of the Bank's subsidiaries as at 31 December 2022 which are not consolidated for capital adequacy calculation purposes. For principal activities of these subsidiaries refer to Note 1 of the consolidated financial statements as at 31 December 2022.

US$ 000's

Entity name	Principal activities	Total Assets *	Total Shareholders' equity *
Gulf Holding Company	Real estate development	42,781	32,128
Residential South Real Estate Development Company (RSRED)	Real estate development	312,251	63,403
Roebuck A M LLP ("RAM")	Property asset management Company	3,449	3,248
Britus International School for Special Education W.L.L	Educational services	32,115	(822)
GBCORP Tower Real Estate WLL	Own & lease real estate	50,971	47,750
SQ Topco II LLC	Property asset management Company	3,348	(202)
Harbour House Row Towers W.L.L.	Own & lease real estate	18,993	5,134
Al Areen Hotels W.L.L.	Hospitality Management	156,649	127,297
Big Sky Asset Management LLC	Real estate investment manager	4,787	4,083

**The numbers disclosed are before considering intercompany eliminations.*

Composition of Regulatory Capital as at 31 December 2022

US$ 000's

	Component of regulatory capital reported by bank	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Common Equity Tier 1 capital: instruments and reserves		
Directly issued qualifying common share capital plus related stock surplus Net of investments in own shares (105,598)	910,039	D
Retained earnings	95,831	H
Accumulated other comprehensive income (and other reserves)	(9,270)	910,039
Not applicable		-
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	23,646	J
Common Equity Tier 1 capital before regulatory adjustments	**1,020,246**	**-**
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	-	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	-
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	-
Not applicable	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	E
Reciprocal cross-holdings in common equity	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold	-	-
of which: significant investments in the common stock of financials	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences	-	-
CBB specific regulatory adjustments	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	**-**	**-**
Common Equity Tier 1 capital (CET1)	**1,020,246**	**-**

4. COMPOSITION OF CAPITAL (contd.)

Composition of Regulatory Capital as at 31 December 2022

US$ 000's

	Component of regulatory capital reported by bank	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	-
of which: classified as equity under applicable accounting standards	-	-
of which: classified as liabilities under applicable accounting standards	-	-
Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-
Additional Tier 1 capital before regulatory adjustments	**-**	**-**
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
CBB specific regulatory adjustments	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	**-**	-
Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**1,020,246**	**-**
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
Directly issued capital instruments subject to phase out from Tier 2	-	-
Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	11,823	-
of which: instruments issued by subsidiaries subject to phase out	-	-
Provisions	40,804	A
Tier 2 capital before regulatory adjustments	**52,627**	**-**
Tier 2 capital: regulatory adjustments		
Investments in own Tier 2 instruments	-	-
Reciprocal cross-holdings in Tier 2 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital (T2)	**52,627**	**-**
Total capital (TC = T1 + T2)	**1,072,873**	**-**
Total risk weighted assets	**7,294,927**	**-**

Composition of Regulatory Capital as at 31 December 2022

US$ 000's

	Component of regulatory capital reported by bank	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk weighted assets)	13.99%	-
Tier 1 (as a percentage of risk weighted assets)	13.99%	-
Total capital (as a percentage of risk weighted assets)	14.71%	-
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	N/A	-
of which: capital conservation buffer requirement	N/A	-
of which: bank specific countercyclical buffer requirement	N/A	-
of which: D-SIB buffer requirement	N/A	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	13.99%	-
National minima including CCB (where different from Basel III)		
CBB Common Equity Tier 1 minimum ratio	9.0%	-
CBB Tier 1 minimum ratio	10.5%	-
CBB total capital minimum ratio	12.5%	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	1	B
Significant investments in the common stock of financials	1,494	C
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	40,804	A
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
N/A	-	-
N/A	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
Current cap on CET1 instruments subject to phase out arrangements	N/A	-
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	-
Current cap on AT1 instruments subject to phase out arrangements	N/A	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	-
Current cap on T2 instruments subject to phase out arrangements	N/A	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	-

4. COMPOSITION OF CAPITAL (contd.)

Disclosure template for main features of regulatory capital instrument

Issuer	GFH Financial Group B.S.C
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	GFH (DFM) GFH (ADX) GFH (BHB) GFH (KSE)
Governing law(s) of the instrument Regulatory treatment	All applicable laws and regulations in the Kingdom of Bahrain.
Regulatory treatment	
Transitional CBB rules	Common Equity Tier 1
Post-transitional CBB rules	Common Equity Tier 1
Eligible at solo/group/group & solo	Group and solo
Instrument type (types to be specified by each jurisdiction)	Common equity shares
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	USD 1,016 mn
Par value of instrument	USD 0.265
Accounting classification	Shareholders' equity
Original date of issuance	1999
Perpetual or dated	Not applicable
Original maturity date	Not applicable
Issuer call subject to prior supervisory approval	Not applicable
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable Coupons / dividends	Not applicable
Dividends	Dividends as decided by the shareholders
Coupon rate and any related index	Not applicable
Existence of a dividend stopper	Not applicable
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Existence of step up or other incentive to redeem	Not applicable
Noncumulative or cumulative	Not applicable
Convertible or non-convertible	Not applicable
If convertible, conversion trigger (s)	Not applicable
If convertible, fully or partially	Not applicable
If convertible, conversion rate	Not applicable
If convertible, mandatory or optional conversion	Not applicable
If convertible, specify instrument type convertible into	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable
Write-down feature	Not applicable
If write-down, write-down trigger(s)	Not applicable
If write-down, full or partial	Not applicable
If write-down, permanent or temporary	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

5. CAPITAL STRUCTURE AND CAPITAL ADEQUACY RATIO

5.1. Capital adequacy

The Bank's regulator CBB sets and monitors capital requirements for the Bank as a whole (i.e. at a consolidated level). The banks are required to maintain minimum capital adequacy ratio (CAR) of 12.5% on a consolidated basis [i.e. CET1 – 6.5%, AT1-1.5%, Tier 2 – 2% and CCB – 2.5%] and a capital adequacy ratio (CAR) of 8% on a solo basis [i.e. CET1 – 4.5%, AT1 – 1.5% and Tier 2– 2%]. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Bank has adopted the standardised approach to credit and market risk and basic indicator approach for operational risk management under the revised framework.

The Group's regulatory capital position at 31 December 2022 was as follows:

US$ 000's

Total Capital	31 December 2022
Common Equity Tier 1 (CET 1)	
Issue and fully paid ordinary shares	1,015,637
Less: Treasury shares	(105,598)
Statutory reserve	36,995
Retained earnings	(1,876)
Current interim cumulative net profit	97,707
Other reserves	(46,265)
Total CET1 capital before minority interest	**996,600**
Total minority interest in banking subsidiaries given recognition in CET1 capital	23,646
Total CET1 capital prior to the regulatory adjustments	**1,020,246**
Less: Investment in own shares	
Total CET1 capital after to the regulatory adjustments	**1,020,246**
Other capital - Additional Tier 1 (AT1) & Tier 2 (T2) capital Instruments issued by banking subsidiaries to third parties	
- AT1	-
- T2	11,823
General financing loss provisions	
- T2	40,804
Total Available AT1 & T2 capital	**52,627**
Total Capital	**1,072,873**

5. CAPITAL STRUCTURE AND CAPITAL ADEQUACY RATIO (contd.)

5.1. Capital adequacy (contd.)

US$ 000's

Risk weighted exposures	31 December 2022
Credit risk	6,817,342
Market risk	40,653
Operational risk	436,932
Total Risk Weighted Exposures	**7,294,927**
CET1 ratio	13.99%
T1 ratio	13.99%
Total Capital Adequacy ratio (Total Capital)	**14.71%**

Total and Tier 1 Capital ratios of Khaleeji Commercial Bank BSC (c) (significant banking subsidiary of GFH) as at 31 December 2022 are as follows:

Capital adequacy ratio (CET1 and T1)	12.88%
Capital adequacy ratio (T1)	18.39%
Total capital Adequacy ratio (Total capital)	**19.52%**

The Bank's paid-up capital consists only of ordinary shares which have proportionate voting rights.

6. CREDIT RISK

6.1. Introduction

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's placements with financial institutions, financing assets, investment in Treasury products and other receivables balances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, and sector risk).

The Bank does not have a trading book and hence all of its equity investments are classified in the banking book and are subject to credit risk weighting under the capital adequacy framework. For regulatory capital computation purposes, the Bank's equity investments in the banking book include investments carried at fair value through equity, investments designated at fair value through profit or loss, significant and majority investments in commercial entities and associate investments in non-significant financial and non-financial entities (as significant financial entities which qualify as associates are treated separately for regulatory purposes).

6.2. Credit risk management

The Bank is primarily exposed to credit risk from placements with other financial institutions, investment in Treasury products receivables from its investment banking services and in respect of funding made (both in the form of financing and short-term liquidity facilities) to its projects and other direct credit facilities provided.

The Bank has an established internal process for assessing credit risk. The Bank has established investment and credit risk policies covering credit risk identification and assessment, risk reporting, documentation and legal procedures, and compliance with regulatory and statutory requirements. The policies are supplemented by an internal authorization structure for the approval and renewal of investment and credit facilities. Authorization limits for credit facilities are as per the Board approved Delegated Authority Limits (DAL). The RMD help the team to assesses all investment and credit proposals prior to investments / facilities being committed. RMD lists down its concerns, performs internal rating and provides final risk comments on all applications prior to circulation for sign off. Renewals and reviews of investments / facilities are subject to the same review process. Investment updates are periodically reviewed by the Board of Directors. Regular audits of Business Units and credit processes are undertaken by Internal Audit.

Please refer to Note 35 of the consolidated financial statements for additional details on the processes for measuring and managing credit risk.

6.3. Capital requirements for credit risk

To assess its capital adequacy requirements for credit risk in accordance with the CBB requirements, the Bank adopts a standardised approach. According to standardised approach, on and off-balance sheet credit exposures are assigned to various defined categories based on the type of counterparty or underlying exposure. Risk Weighted Assets (RWAs) are calculated based on prescribed risk weights by CBB.

Following is the Group's analysis for credit risk as computed for regulatory capital adequacy purposes:

US$ 000's

Exposure Class	Gross Credit Exposures	Credit Risk Mitigant	Credit Risk Exposure After Credit Risk Mitigant	Average Risk weights	Total Credit risk Weighted Exposure
Self-financed assets					
Cash items	9,169	-	9,169	0%	-
Total claims on sovereign and PSEs treated as sovereign	1,921,277	-	1,921,277	0%-100%	271,684
Standard Risk Weights for Claims on Banks	1,280,070	-	1,280,070	20%-100%	618,412
Short term Claims on Banks	193,422	-	193,422	20%	38,684
Claims on Corporates	2,253,090	(161,480)	2,091,610	0%-150%	2,080,983
Regulatory Retail Portfolio	138,984	(45,416)	93,568	75%	70,176
Mortgage	257,090	(209,175)	47,915	35%	16,770
Past Due Facilities	99,051	(10,218)	88,833	100%-150%	125,181
Investments in Equity Securities and Equity Sukuk	250,421	-	250,421	100%-800%	574,430
Holding of Real Estate	1,216,607	-	1,216,607	200%-400%	2,792,244
Others Assets	62,140	-	62,140	100%	62,140
Total self-financed assets (A)	**7,681,321**	**(426,289)**	**7,255,032**	**0%-800%**	**6,650,704**
Total regulatory capital required - self-financed assets (A x 12.5%)				**12.50%**	**831,338**
Financed by EIAH					
Total claims on sovereign and PSEs treated as sovereign	425,553	-	425,553	0%	-
Standard Risk Weights for Claims on Banks	214,799	-	214,799	20%-100%	118,881
Short term Claims on Banks	117,743	-	117,743	20%	23,549
Claims on Corporates	455,060	(23,328)	431,732	20%-150%	413,046
Total financed by EIAH (B)	**1,213,155**	**(23,328)**	**1,189,827**	**0%-150%**	**555,476**
Considered for credit risk (C) = (B x 30%)				**30%**	**166,643**
Total regulatory capital required - financed by EIAH (C x 12.5%)				**12.50%**	**20,830**
Total risk weighted assets (A+C)					**6,817,347**
Minimum regulatory capital required (at 12.5%)					**852,168**

6. CREDIT RISK (contd.)

6.4 Quantitative information on credit risk

6.4.1. Gross and average credit exposure

The following are gross credit risk exposures considered for Capital Adequacy Ratio calculations of the Group classified as per disclosure in the consolidated financial statements:

US$ 000's

Balance Sheet Items	Self Finance	EIAH	Total Gross Credit Exposure	Average Gross Credit Exposure*
Cash and bank balances	620,739	237,500	858,239	657,067
Treasury portfolio	3,493,839	716,181	4,210,020	3,608,628
Financing assets	1,175,245	259,993	1,435,238	1,451,894
Real estate investments	1,287,085	-	1,287,085	1,204,432
Proprietary investments	1,005,053	-	1,005,053	1,105,020
Co-investments	142,051	-	142,051	133,206
Receivables and prepayments	589,869	-	589,869	580,445
Property and equipment	232,736	-	232,736	109,963
Total funded exposure	**8,546,617**	**1,213,674**	**9,760,291**	**8,850,655**
Commitments	205,484	-	205,484	220,173
Restricted investment accounts	4,162	-	4,162	4,161
Total unfunded exposure	**209,646**	**-**	**209,646**	**224,334**

** Average gross credit exposures have been calculated based on the average of balances outstanding on a quarterly basis during the year ended 31 December 2022. Assets funded by EIAH are geographically classified in GCC countries, MENA, Asia and North America. Cash and Bank Balances that are funded by EIAH are placed with Banks and financial institutions having maturity profile of up to 3 months.*

6.4.2. Credit exposure by geography

The classification of credit exposure by geography, based on the location of the counterparty, was as follows:

US$ 000's

31 December 2022	GCC Countries	MENA	Asia	North America	Others	Total
Assets						
Cash and bank balances	691,915	361	40	74,484	91,439	858,239
Treasury portfolio	3,318,666	135,813	-	108,785	646,756	4,210,020
Financing assets	1,379,761	39,526	-	12	15,939	1,435,238
Real estate investment	1,037,847	232,284	7,609	-	9,345	1,287,085
Proprietary investment	993,219	-	-	-	11,834	1,005,053
Co-Investments	46,780	-	505	93,028	1,738	142,051
Receivables & prepayments	550,502	22,387	3,477	9,873	3,630	589,869
Property and equipment	224,358	-	-	8,244	134	232,736
Total assets	**8,243,048**	**430,371**	**11,631**	**294,426**	**780,815**	**9,760,291**
Equity of investment account holders	1,191,653	-	21,910	-	111	**1,213,674**
Off-balance sheet items						
Commitments	142,992	-	-	62,492	-	**205,484**
Restricted investment accounts	4,022	-	-	140	-	**4,162**
Notional amount of Derivative	-	-	-	58,500	-	**58,500**

6.4 Quantitative information on credit risk (contd.)

6.4.3. Credit exposure by industry

The classification of credit exposure by industry was as follows:

US$ 000's

31 December 2022	Banks and Financial Institutions	Real Estate	Others	Total
Assets				
Cash and bank balances	845,828	11,596	815	858,239
Treasury portfolio	3,134,903	73,182	1,001,935	4,210,020
Financing Assets	107,608	561,420	766,210	1,435,238
Real estate investments	-	1,287,085	-	1,287,085
Proprietary investment	757,834	229,337	17,882	1,005,053
Co-investment	130,833	11,218	-	142,051
Receivables and prepayments	139,696	97,951	352,222	589,869
Property and equipment	2,189	37,165	193,382	232,736
Total assets	**5,118,891**	**2,308,954**	**2,332,446**	**9,760,291**
Equity of Investment account holders	272,093	51,262	890,319	1,213,674
Off-balance sheet items				
Commitments	-	117,301	88,183	205,484
Restricted investment accounts	-	4,162	-	4,162
Notional amount of derivative	58,500	-	-	58,500

6.4.4. Credit exposure by maturity

The maturity profile of credit exposures based on expected maturity was as follows:

US$ 000's

31 December 2022	Up to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years	Total
Assets						
Cash and bank balances	826,393	7,374	13,552	10,920	-	858,239
Treasury portfolio	1,291,520	249,557	447,769	417,228	1,803,946	4,210,020
Financing assets	156,765	56,091	164,272	291,676	766,434	1,435,238
Real estate investment	-	-	-	-	1,287,085	1,287,085
Proprietary investments	-	-	-	927,704	77,349	1,005,053
Co-investments	-	1,852	-	140,199	-	142,051
Receivables and prepayments	213,908	105,435	56,540	50,526	163,460	589,869
Property and equipment	-	-	-	-	232,736	232,736
Total assets	**2,488,586**	**420,309**	**682,133**	**1,838,253**	**4,331,010**	**9,760,291**
Equity of investment account holders	99,588	35,406	86,546	288,470	703,664	1,213,674
Off-balance sheet items						
Commitments	56,565	4,098	48,923	95,664	234	205,484
Restricted investment accounts	-	-	-	4,162	-	4,162

The table above shows the maturity profile of the Group's assets and unrecognized commitments on the basis of their contractual maturity, here available. For other items, (including past due receivables), the maturity profile is on the basis of their expected realization. The total assets are reconciled to the gross credit exposures considered for capital adequacy computation purposes.

6. CREDIT RISK (contd.)

6.5. Large Exposures

The CBB has set a single exposure limit of 15% of the Bank's total capital base on exposures to individual and a combined exposure limit of 25% of total capital base of closely connected counterparties. The excess amount of any exposure above the mentioned thresholds must be risk weighted at 800%, unless it is an exempt exposure in accordance with the requirements of CBB rulebook.

All large exposures in excess of 15% of capital base as at 31 December 2022 has been risk weighted at 800%. Also, the combined exposures in excess of 25% of total capital base of closely connected counterparties have been risk weighted at 800%.

The following are the large exposure counterparties in excess of 15% of capital base.

US$ 000's

Single exposure in excess of 15% of capital base	% of capital	Exposure as at 31 December 2022
Counterparty A	18.09%	194,110

6.6. Impaired facilities and past due exposures

The Bank classifies credit exposures into two broad categories "Unimpaired" and "Impaired", reflecting risk of default and the availability of collateral or other credit risk mitigation. The Bank does not perform a collective assessment of impairment for its credit exposures as the credit characteristics of each exposure are considered to be different. Credit and investment exposures are subject to regular reviews by the Investment Units and RMD.

The definition and details of impaired assets, past due but not impaired exposures and policy for establishing an allowance account and write-off of an exposure is provided for in Note 35 to the consolidated financial statements. The details of changes in impairment allowances for financial assets are provided for in the notes to the consolidated financial statements.

All impaired and past due credit exposures at 31 December 2022 mainly relate to the treasury and real estate sectors.

6.7. Credit risk mitigation

The credit risk exposures faced by the Bank are primarily related to placements with other financial institutions, investments in sukuks, other credit facilities and in respect of investment-related funding made to its projects. The funding made to the projects are based on the assessment of the underlying value of the assets and the expected streams of cash flows.

The Bank shall conduct all necessary due diligence irrespective of obtaining credit risk mitigates. As a principle, the Bank should try, on a best effort basis, not to extend facilities without any security / collateral. Only eligible collaterals as per the CBB guidelines shall be considered for reducing the capital requirement though the Bank can continue to take non-eligible collaterals to safeguard its exposure subject to obtaining requisite approvals. As a matter of principle, collateral should not replace a careful assessment of the borrower's ability to repay.

6.8. Related party and intra-group transactions

Related counterparties are those entities which are connected to the Bank through significant shareholding or control or both. The Bank has entered into business transactions with such counterparties in the normal course of its business. For the purpose of identification of related parties, the Bank strictly follows the guidelines issued by Central Bank of Bahrain and definitions as per FAS issued by AAOIFI. Detailed break-up of exposure to related parties has been presented in Note 24 to the consolidated financial statements.

6.9. Exposure to highly leveraged and other high-risk counterparties

The Bank has no exposure to highly leveraged and other high-risk counterparties as per definition provided in the CBB rule book PD 1.3.24.

6.10. Restructured Facilities

As at 31 December 2022, other assets which are neither past due nor impaired include certain short-term financing to projects which were renegotiated during the year (refer note 35 in the consolidated financial statements). In certain cases, on a need basis, the Bank supports its projects by providing credit facilities. These facilities are provided based on assessment of cash flow requirements of the projects and the projects' ability to repay the financing amounts based on its operating cash flows. The assessment is independently reviewed by the RMD. The terms of the renegotiation primarily include extension of the repayment period. The facilities are provided as viewed necessary based on periodic impairment assessments.

6.11. Equity investments held in banking book

The Bank does not have a trading book and hence all of its equity investments and other investments are classified in the banking book and are subject to credit risk weighting under the capital adequacy framework. For regulatory capital computation purposes, the Bank's equity investments in the banking book include available-for-sale investments, significant and majority investments in commercial entities and associate investments in non-significant financial and non-financial entities (i.e. significant financial entities which qualify as associates are treated separately for regulatory purposes).

Please refer to the notes to the consolidated financial statements for policies covering the valuation and accounting of equity holdings, including the accounting policies and valuation methodologies used, key assumptions and practices affecting valuation.

The RMD provides an independent review of all transactions. A fair evaluation and impairment assessment of investments takes place. Investment updates are periodically reviewed by the Board of Directors. Regular audits of business units and processes are undertaken by Internal Audit. The Bank's equity investments are predominantly in its own projects, which include venture capital, private equity, asset management, real estate development and development infrastructure investment products. The intent of such investments is a later stage exit along with the investors principally by means of sell-outs at the project level or through initial public offerings. The Bank also has a strategic financial institutions investment and treasury portfolio which is aligned with the long-term investment objectives of the Group.

Information on equity investments	US$ 000's
Privately held	826,521
Quoted in an active market	2,256,357
Dividend income	22,915
Realised gain/ (loss) during the year	522

The following are the categories under which equity investments are included in the capital adequacy computations as per the requirements of the CBB rules:

US$ 000's

	Gross exposure	Risk weight	Risk weighted exposure	Capital charge 12.5%
Listed equity investment	36,718	100%	36,718	4,590
Unlisted equity investment*	139,508	150%	209,262	26,158
Significant investment in the common shares of financial entities >10%	1,494	250%	3,735	467
Other exposures with excess of large exposures limits	33,179	800%	265,432	33,179
Investments in unrated funds - unlisted	39,523	150%	59,284	7,410
All other holdings of real estate*	1,037,092	200%	2,074,184	259,273
Investment in listed real estate companies	-	300%	-	-
Investment in unlisted real estate companies*	179,515	400%	718,060	89,757
Total	**1,467,028**		**3,366,674**	**420,834**

**Includes amounts of risk weighted assets arising from full consolidation of KHCB.*

7. MARKET RISK

7.1. Introduction

Market risk is the risk of loss due to factors like foreign exchange rates, profit rates, equity prices, sukuk prices and commodity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. As a matter of general policy, the Bank does not assume trading positions on its assets and liabilities, and hence the entire balance sheet is a non-trading portfolio (banking book). The Bank has adopted a standardised approach for measurement of market risk under the CBB capital adequacy framework. The CBB's standardised capital computation framework requires risk weighted assets to be computed for price risk, equities position risk, Treasury products risk, foreign exchange risk and commodities risk. Hence, from a capital computation perspective the Bank's market risk measurement is limited to foreign exchange risk in the banking book. The Bank is also exposed to profit rate risk in the banking book which is managed separately.

7.2. Foreign exchange risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank seeks to manage currency risk by continually monitoring exchange rates. The Board of Directors approves policies and strategies related to the management of FX risk. The Assets and Liabilities Committee ('ALCO') supports the Board in managing FX risk by recommending policies, setting limits and guidelines and monitoring the FX risk of the Bank on a regular basis. ALCO provides guidance for day-to-day management of FX risk and also approves hedging programs. The management of the day-to-day FX position of the Bank is the responsibility of the Treasury. The Treasury department shall ensure adequate FX liquidity to meet the maturing obligations and growth in assets while ensuring that all limits and guidelines set by the Board and ALCO are complied with; and shall implement hedging and other approved strategies for managing the risk. The Risk Management Department on an ongoing basis reviews the limits set and ensures that the concerned department(s) is complying with all limits set as per the risk appetite of the Bank. The Group has reported net exposures denominated in various foreign currency as of 31 December 2022 from various financial instruments and structural foreign currency exposure arising from unhedged equity investments in its foreign subsidiaries and investments (refer to Note 35(c) of the consolidated financials statements).

The management of foreign exchange risk against net exposure limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various foreign exchange scenarios. Standard scenarios that are considered include a 5% plus / minus increase in exchange rates, other than GCC pegged currencies. An analysis of the Bank's net foreign exchange position and its sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables, primarily profit rates, remain constant) has been presented in Note 35 to the consolidated financial statements.

7.3. Capital requirements for market risk

To assess its capital adequacy requirements for market risk in accordance with the CBB capital adequacy module for Islamic Banks, the Bank adopts the standardised approach. A foreign exchange risk charge is computed based on 8% of overall net open foreign currency position of the Group.

US$ 000's

Self Financed	31st December 2022	Maximum During the Year	Minimum During the Year
Foreign exchange risk - [A]	3,252	3,252	2,283
Risk weighted assets – [B] = (A*12.5)	40,653	40,653	28,535
Capital requirement – (B*12.5%)	5,082	5,082	3,567

8. OPERATIONAL RISK

8.1. Introduction

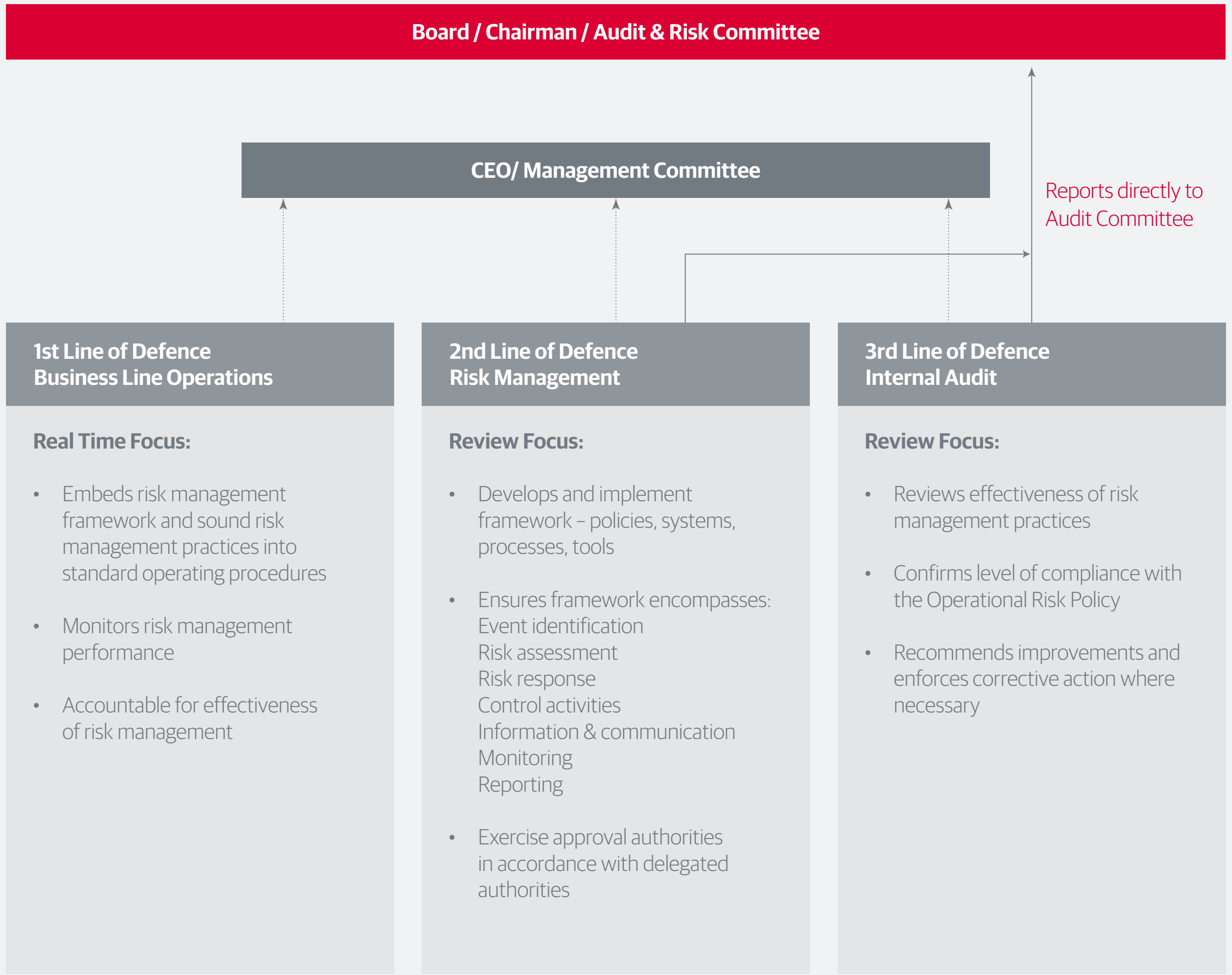
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is an inherent part of normal business operations. The Bank has adopted the Basic Indicator Approach for measurement of operational risk under the Basel Frameworkand CBB capital adequacy computation framework.

8.2. Operational risk management

Whilst operational risk cannot be eliminated entirely, the Bank endeavors to minimize it by ensuring that a strong control infrastructure is in place throughout the organization. Various procedures and processes used to manage operational risk include effective staff training, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting. The Risk Management Department manages the framework and facilitates the process of operational risk management.

The Bank has an operational risk management framework which includes components such as Key Risk Indicators (KRIs), operational loss data and Risk & Control Self-Assessment (RCSA) across the Bank.

To ensure effective governance across all processes and functions, GFH has adopted a 'Three Lines of Defense' approach, as illustrated below. The structure clearly reflects the requisite independence between the three functions.



The rationale behind the 3 Lines of Defense are:

- The Business Unit heads are ultimately accountable for the 1st Line of Defense in their business areas;
- The Risk Management function is ultimately accountable for the 2nd Line of Defense for the Bank; and
- The Internal Audit is ultimately accountable for the 3rd Line of Defense for the Bank.

The Bank's definition of operational risk also incorporates legal and Sharia'a compliance risk. This is defined as an operational risk facing Islamic banks which can lead to, loss of reputation, non-recognition of income and loss of revenue. This definition excludes strategic, liquidity, credit, market and reputational risks. Whilst operational risk excludes losses attributable to traditional banking risks (credit, market and liquidity), the Bank recognises that operational risk is attached to the management of those traditional risks. For example, operational risk includes legal and compliance related risks attached to the management of credit and market risk. Operational risks are attached to the management of business as usual as well as to changes such as the introduction of new products, projects or program activities.

8.3. Legal compliance and litigation

The Bank has established approved policies in relation to legal, regulatory and compliance risk; and has dedicated Compliance and Legal departments in place.

All contracts, documents, etc. have to be reviewed by the Legal department as well. For information on contingencies, refer to Note 34 of the consolidated financial statements.

8.4. Shari'a compliance

The Shari'a Supervisory Board (SSB) is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with the rules and principles of Islamic Shari'a and specific fatwas, rulings and guidelines issued. The Bank also has a dedicated Shari'a audit function, who performs an ongoing independent review of the compliance with the fatwas and rulings of the SSB on products and processes and also reviews compliance with the requirements of the Shari'a standards prescribed by AAOIFI while the Coordination and Implementation function assists the SSB in issuing Sharia pronouncements/ resolutions about the products and services offered by the Group. The SSB reviews and approves all products and services before launching and offering to the customers and also conducts periodic reviews of the transactions of the Bank. An annual audit report is issued by the SSB confirming the Bank's compliance with Shari'a rules and principles.

8. OPERATIONAL RISK (contd.)

8.5. Capital requirements for operational risk

The Bank adopts the Basic Indicator Approach to evaluate operational risk charge in accordance with the approach agreed with the CBB. The Bank's average gross income for the last three financial years is multiplied by a fixed coefficient alpha of 15% set by CBB and a multiple of 12.5x is used to arrive at the risk weighted exposure that are subject to capital charge of 12.5%.

US$ 000's

	Average gross income	Risk weighted exposure	Capital charge at 12.5%
Operational risk	233,030	436,932	54,616

9. OTHER TYPES OF RISK

9.1. Introduction

Apart from the risks listed in the previous sections, the Bank is also exposed to other types of risks which it identifies and manages as part of its risk management framework. Although these risks do not directly form part of the Tier 1 risks, they are identified and captured by the ICAAP under pillar II risks.

9.2. Liquidity risk

Liquidity risk is the inability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. This also includes the inability of the Bank to liquidate its assets at their expected prices in a reasonable period. The Group's approach to managing liquidity is to ensure that it should always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Bank has a liquidity risk policy in place, which describes the roles and responsibilities of various committees, Treasury and other concerned departments in management of liquidity. The Liquidity Risk policy and Liquidity Risk appetite limits stipulate various liquidity ratios to be maintained by the Bank, as well as gap limits for time bucket of the maturity ladder.

The liquidity position is closely monitored and stressed to cover both normal and severe bank specific and market specific conditions. Daily reports cover the liquidity position of the Bank. Moreover, periodic reports are submitted to the Asset and Liability Management Committee of the Bank (ALCO), Audit & Risk Committee (ARC) and to the Board of Directors for review and strategic decision. For maturity profile of assets and liabilities refer to Note 30 of the consolidated financial statements.

The following are the key liquidity ratios which reflect the liquidity position of the Group:

US$ 000's

Liquidity Ratios	31st December 2022	Maximum	Minimum
Liquid assets : Total assets	51.93%	51.93%	45.65%
Liquid assets : Total deposits	104.39%	134.29%	103.51%
Short-term assets : Short-term liabilities	64.54%	64.54%	43.78%
Illiquid assets : Total assets	48.07%	54.35%	48.07%

9.3. Management of profit rate risk in the banking book (PRRBB)

Profit rate risk is the exposure of a bank's financial condition to adverse movements in profit rates. Changes in profit rates affect a bank's earnings by changing its net profit income and the level of other profit-sensitive income and operating expenses. Changes in profit rates also affect the underlying value of the bank's assets, liabilities, and off-balance-sheet (OBS) instruments because the present value of future cash flows change when profit rates change.

The sources of profit rate risk relevant for Bank's balance sheet size and complexity comprises mainly of:

- Repricing Risk: The primary form of profit rate risk arises from timing differences in the maturity (for fixed-rate) and repricing (for floating-rate) of bank assets, liabilities, and OBS positions.

- Basis risk: Another important source of profit rate risk arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and OBS instruments of similar maturities or repricing frequencies.

Yield Curve Risk: Yield curve risk is the risk associated with either a flattening or steepening of the yield curve. Mismatch in maturity or repricing dates of assets, liabilities and off-balance sheet items expose the Bank to risks that arises from non-parallel shift in yield curve.

- Optionality risk: This risk arises from the discretion that a Bank's customers and counterparties have in respect of their contractual relations with the bank in the form of financial instruments. Embedded options are diverse and bank-specific and include prepayment risk on fixed rate loans and deposits and switching risk on non-interest-bearing current accounts.

The Board is responsible for the overall management of the profit rate risk. ALCO helps the Board in determining the borrowing and funding strategy of the Bank in order to optimize risk return trade off. It supports the Board in managing profit rate risk by recommending policies, setting limits and guidelines and monitoring the risk on a regular basis.

The objective of profit rate risk measurement is to maintain the Bank's profit rate risk exposure within risk appetite limits. The process of establishing profit rate risk limits and describing the risk-taking guidelines provides the means for achieving the objective. Such a process defines the boundaries for the level of profit rate risk for the Bank. The limit structure also ensures that positions that exceed certain predetermined levels receive prompt management attention.

The limit system enables management to control profit rate risk exposures, initiate discussion about opportunities and risks, and monitor actual risk taking against predetermined risk tolerance.

The management of profit rate is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios.

Standard scenarios that are considered include a 100 basis points (bps) parallel fall or rise in yield curves. For details of the Bank's profit rate gap position as at 31 December 2022 and analysis of the Bank's sensitivity to an increase or decrease in market profit rates, refer to Note 35 (c) of the consolidated financial statements. An analysis of the Group's sensitivity to an increase or decrease in market profit rates for a 100 bps parallel increase / (decrease) is as below:

100 bps parallel increase / (decrease)	US$ 000's
At 31 December 2022	±24,890
Average for the year	±20,580
Maximum for the year	±24,890
Minimum for the year	±16,532

9.4. Concentration risk

This risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from exposure to specific classes of assets, sector, country, revenue streams, counterparty, a group of counterparties, etc. Concentration risk is mitigated by limits, diversification by assets, geography, counterparty quality etc. The industry sector and geographical concentration of credit exposures has been disclosed in Notes 31 (a) and 31 (b) of the consolidated financial statements respectively.

9.5. Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. In addition to the identified credit risk exposures the Bank's counterparty credit risk from markets as such is limited to the fair value of contracts of foreign exchange risk management instruments the overall exposure to which is usually not significant. For other credit market transactions (primarily inter-bank placements), the Bank has established a limit structure based on the credit quality (assessed based on external rating) of each counter party bank to avoid concentration of risks for counterparty, sector and geography. The Bank is constantly reviewing and monitoring the positions to ensure proper adherence to the limits and defined policies of the Bank. As at 31 December 2022, the Bank did not have any open positions on foreign exchange contracts.

9.6. Reputational risk (non-performance risk)

Reputation risk is the risk that negative perception regarding the Bank's business practices or internal controls, whether true or not, will cause a decline in the Bank's investor base, lead to costly litigation that could have an adverse impact on the liquidity or capital of the Bank. Being an Islamic Investment Bank, reputation is an important asset and among the issues that could affect the Bank's reputation is the inability to exit from investments, lower than expected returns on investments and poor communication to investors. A well developed and coherently implemented communication strategy helps the Bank to mitigate reputational risks.

9.7. Displaced commercial risk

Displaced Commercial Risk (DCR) refers to the market pressure to pay returns that exceed the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates. The returns to investors on the funds are based on returns earned from short-term placements and hence the Bank is not exposed to a significant repricing risk or maturity mismatch risk in relation to these accounts. In relation to the DCR that may arise from its investment banking and restricted investment account products, the risk is considered limited as the Bank does not have any obligation to provide fixed or determinable returns to its investors. The Bank is currently in the process of drafting a DCR policy, however the Bank constantly monitors all potential risks that may arise from all such activities as part of its reputational risk management.

9.8. Other risks

Other risks include strategic, fiduciary risks, regulation risks etc. which are inherent in all business activities and are not easily measurable or quantifiable. However, the Bank has policies and procedures to mitigate and monitor these risks. The Bank's Board is overall responsible for approving and reviewing the risk strategies and significant amendments to the risk policies. The Bank's Senior Management is responsible for implementing the risk strategy approved by the Board to identify, measure, monitor and control the risks faced by the Bank. The Bank as a matter of policy regularly reviews and monitors financial and marketing strategies, business performance, new legal and regulatory developments and its potential impact on the Bank's business activities and practices.

10. ICAAP CONSIDERATIONS

The ICAAP incorporates a review and evaluation of risk management and capital relative to the risks to which the bank is exposed. GFH has developed an ICAAP which involves identification and measurement of risks to maintain an appropriate level of internal capital in alignment to the Bank's overall risk profile and business plan. An ICAAP policy and framework has been developed to address major components of the Bank's risk management, from the daily management of material risks including risk types which are not covered under Pillar I including liquidity risk, profit rate risk in the banking book, concentration risk, strategic risk, reputational risk etc. The Bank uses the ICAAP document for internal capital monitoring purposes.

11. PRODUCT DISCLOSURES

11.1. Product descriptions and consumer awareness

The Bank offers a comprehensive mix of Shari'a compliant investment banking products primarily to high net worth and sophisticated investors. This includes a range of innovative structured investment products like funds, repackaged products and structured restricted investment accounts. The investment department of the Bank has expertise in creating innovative high-end and value-added products offering a wide range of structures, expected returns, tenors and risk profiles.

A proposal for any new product is initiated by individual business lines within the Bank. The Management Investment Committee of the Bank reviews such proposals to ensure that the new product/ business is in line with the Bank's business and risk strategy. All new products will need the approval of the respective authorities as per the Delegated Authority Limits (DAL) as well as the Shari'a Supervisory Board of the Bank.

11.2. Customer complaints

GFH is dedicated to providing a high standard of service and to maintaining its reputation for honesty and integrity in all its dealings. The Bank takes all disputes and complaints from its customers and business partners very seriously. The Bank has a comprehensive policy on handling external complaints, approved by the Board. All employees of the Bank are aware of and abide by this policy. The complaint handling process is disclosed on the Bank's website and also in all printed prospecting materials. Complaints are normally investigated by persons not directly related to the subject matter of the complaint.

11.3. Equity of Investment Account Holders (EIAHD)/URIA

The current EIAH deposits have been accepted on a case-by-case basis considering the Bank's relationship with its customers.

The EIAH holder authorises the Bank to invest the funds in any investments approved by the Bank's Shari'a Board without any preconditions. All EIAH accounts are on profit sharing basis, but the Bank does not guarantee any particular level of return. In accordance with the principles of Shari'a, the entire investment risk is on the investor. Any loss arising from the investment will be borne by the customer except in the case of the Bank's negligence. The Bank charges a Mudarib fee as its share of profit. Early withdrawal is at the discretion of the Bank and is subject to the customer giving reasonable notice for such withdrawal and agreeing to forfeit a share of the profit earned on such account.

The Bank has only one type of financing for URIA which is Murabaha. Currently, the Bank comingles the EIAH funds with its funds for investments only into interbank placements and hence is not subject to any significant profit re-pricing or maturity mismatch risks. As a part of the internal monitoring bank monitors the amount invested under EIAH. The Bank has an element of displaced commercial risk on EIAH which is mitigated by setting up and maintaining an appropriate level of Profit Equalisation Reserve (PER) and Investment Risk Reserve (IRR) to smoothen return to EIAH holders. Profit Equalisation Reserve (PER) is created by allocations from gross income of the Mudarabah before adjusting the Mudarib (Bank) share. Investment Risk Reserves (IRR) comprises amounts appropriated out of the income of investment account holders after deduction of the Mudarib share of income.

Administrative expenses incurred for management of the funds are borne directly by the Bank and are not charged separately to investment accounts. All terms of the EIAH are agreed upfront with the customers and form part of the agreement with the customer. For the last one year, the Bank has not made any withdrawals on PER or IRR. Any movements on these accounts are therefore only on account of additional reserves added.

For the qualitative disclosures pertaining to EIAH of KHCB, please refer to the annual report of KHCB.
The quantitative disclosures below are pertaining to the EIAH from the Bank.

The details of Bank's income distribution to IAH holders for the last five years are given below:

US$ 000's

As at 31 December	2022	2021	2020	2019	2018
Allocated income to IAH	2,597	11,548	15,330	6	10
Distributed profit	2,597	11,548	15,330	6	10
Mudarib fees*	0.3	0.3	0.3	0.3	0.5
Average rate of return earned	4.44%	5.77%	5.14%	1.04%	1.10%
IAH[1]	58,548	200,234	176,273	591	924
Profit Equalisation Reserve (PER)	9	9	9	9	9
Investment Risk Reserve (IRR)	6	6	6	6	5
Profit Equalisation Reserve-to-IAH (%)	-	-	-	-	-
Investment Risk Reserve-to-IAH (%)	-	-	-	-	-

[1] Represents average balance
** Includes contribution towards deposit protection scheme*

11.4 Restricted investment accounts

The Bank offers Restricted Investment Accounts ("RIAs") to both financial institutions and high net worth individuals in the GCC. All RIA product offering documents ("Offering Document") are drafted and issued with input from the Bank's Investment Banking, Shari'a, Financial Control, Legal and Risk Management Departments to ensure that the Investors have sufficient information to make an informed decision after considering all relevant risk factors. The Bank has guidelines for the development, management and risk mitigation of its' RIA investments and for establishment of sound management and internal control systems to ensure that the interests of the investment account holders are protected at all times. Wherever it is necessary for the Bank establishes Special Purpose Vehicles (SPVs) for management of the investment. The Bank has a Board approved SPV Governance framework in place to equip the Board in ensuring that the management of such SPVs are conducted in a professional and transparent manner.

The Bank is aware of its fiduciary responsibilities in management of the RIA investments and has clear policies on discharge of these responsibilities. The Bank considers the following in discharge of its fiduciary responsibilities:

- Ensuring that the investment structure, Offering Documents and the investment itself are fully compliant with Islamic Shari'a principles and the CBB regulations;
- Appropriately highlighting to the Investors, as part of the RIA Offering Document, of all the relevant and known risk factors and making it clear that the investment risk is to be borne by the Investor before accepting the investment funds;
- Completing all necessary legal and financial due diligence on investments undertaken on behalf of the Investors with the same level of rigor as the Bank requires for its' own investments;
- Ensuring that the funds are invested strictly in accordance with the provisions outlined in the Offering Documents;
- Preparing and disseminating periodical investment updates to Investors on a regular basis during the tenor of the investment;
- Distributing the capital and profits to the Investor in accordance with the terms of the offering document; and;
- In all matters related to the RIA, RIA SPV(s) and the investment, act with the same level of care, good faith and diligence as the Bank would apply in managing its own investments.

Within the Bank, the abovementioned responsibilities and functions are provided, managed and monitored by qualified and experienced professionals from the Investment Banking, Shari'a, Financial Control, Legal, Investment Administration and the Risk Management Departments with Internal Audit oversight.

The restricted investment accounts primarily represent the investments in the projects promoted by the Bank and managed on a portfolio basis on behalf of investors.

There have been no annual distributions made in RIA for the past five years.

For the qualitative disclosures pertaining to RIA's of KHCB, please refer to the annual report of KHCB.

06

Details Reports
& Group Financial Statements

An in-depth review of GFH Financial Group's performance over the last 12 months

Section 06
22 Pages of 256 representing
8.5% of the report's content

Sharia Supervisory Board Report on the Activities of GFH Financial Group B.S.C

for the year ended 31 December 2022

7 February 2023
16 Rajab 1444 AH

Prayers and Peace Upon the Last Apostle and Messenger, Our prophet Mohammed, His comrades and Relatives.

The Sharia Supervisory Board of GFH Financial Group has reviewed the Bank's investment activates and compared them with the previously issued fatawa and rulings during the financial year 31st December 2022.

Respective Responsibility of Sharia Supervisory Board
The Sharia Supervisory Board believes that as a general principle and practice, the Bank Management is responsible for ensuring that it conducts its business in accordance with Islamic Sharia rules and principles. The Sharia Supervisory Board responsibility is to express an independent opinion on the basis of its control and review of the Bank's operations and to prepare this report.

Basis of opinion
Based on Sharia Supervisory Board fatwas and decisions, AAOIFI standards and Sharia Audit plan, the Sharia Supervisory Board through its periodic meetings reviewed the Sharia Audit function reports and examined the compliance of documents and transactions in regards to Islamic Sharia rules and principles, in coordination with Sharia Implementation & Coordination function. Furthermore, the Bank's management explained and clarified the contents of Consolidated Balance Sheet, Consolidated Income Statement, Consolidated statement of Zakah and Charity fund, and attached notes for the financial year ended on 31st December 2022 to our satisfaction.

Opinion
The Sharia Supervisory Board believes that,

1. The contracts, transactions and dealings entered into by the Bank are in compliance with Islamic Sharia rules and principles
2. The distribution of profit and allocation of losses on investments was in line with the basis and principles approved by the Sharia Supervisory Board and in accordance to the Islamic Sharia rules and principles
3. Any earnings resulted from sources or means prohibited by the Islamic Sharia rules and principles, have been directed to the Charity account.
4. Zakah was calculated according to the Islamic Sharia rules and principles, by the net assets method. It is to be noted that the responsibility of paying Zakah lies on the Shareholders of the Bank.
5. The Bank was committed to comply with Islamic Sharia rules and principles, the Sharia Supervisory Board fatawa and guidelines, Sharia related policies and procedures, AAOIFI's Sharia standards, and Sharia directives issued by the CBB.

We extend our sincere thanks to all the regulatory authorities in the Kingdom of Bahrain and abroad for their support in the procedural matters.

Praise be to Allah, Lord of the worlds.
Prayer on Prophet Mohammed (Peace Be Upon Him), all his family and Companions.

Sheikh Abdulla Al Menai
President

Sheikh Nedham Yaqoubi
Executive Member

Sheikh Abdulaziz Al Qassar
Executive Member

Sheikh Fareed Hadi
Executive Member

Independent Auditors' Report to the Shareholders

GFH Financial Group B.S.C, Manama, Kingdom of Bahrain

Opinion
We have audited the accompanying consolidated financial statements of GFH Financial Group Bank B.S.C. (the "Bank"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of income, changes in owners' equity, cash flows, changes in restricted investment accounts and sources and uses of zakah and charity fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and consolidated results of its operations, changes in owners' equity, its cash flows, changes in restricted investment accounts and its sources and uses of zakah and charity fund for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group's Shariah Supervisory Board during the year ended 31 December 2022.

Basis for Opinion
We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Shareholders (contd.)

Impairment allowance on financing assets

Refer accounting policy in note 4(h) (i) and (q) , use of estimates and judgments in note 5 and management of credit risk in note 35 (a).

The key audit matter	How the matter was addressed in our audit
We focused on this area because: • of the significance of financing assets representing 15% of total assets. • The estimation of expected credit losses ("ECL") on financing assets involve significant judgment and estimates. The key areas where we identified greater level of management judgment and estimates are: **a. Use of complex models** Use of inherently judgmental complex models to estimate ECL which involves determining Probabilities of default ("PD"), Loss Given Default ("LGD") and Exposure At default ("EAD"). The PD models are considered the drivers of the ECLs. **b. Economic scenarios** The need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weightings applied to them. **c. Management overlays** Adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks. Such adjustments are inherently uncertain and significant management judgment is involved in estimating these amounts.	Our procedures included: **Control testing** We performed walk throughs to identify the key systems, applications and controls used in the ECL processes. Key aspects of our controls testing involved the following: • testing the design and operating effectiveness of the key controls over the completion and accuracy of the key inputs and assumptions into the ECL Model; • evaluating the design and operating effectiveness of the key controls over the application of staging criteria; • evaluating controls over validation, implementation, and model monitoring; • evaluating controls over authorization and calculation of post model adjustments and management overlays; and • testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and probabilities. **Tests of details** • Sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecast, weights, and PD assumptions applied; and • Selecting a sample of post model adjustments to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to the source data. **Use of specialists** • We involved our information technology specialists in testing the relevant general IT and applications controls over the key systems used in the ECL process; • We involved our credit risk specialists to assist us in: a. evaluating the appropriateness of the Groups' ECL methodologies (including the staging criteria used); b. on a test basis, re-performing the calculation of certain components of the ECL model (including the staging criteria); c. evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weighing applied to them; and d. evaluating the overall reasonableness of the management economic forecast by comparing it to external market data. **Disclosures** Evaluating the adequacy of the Group's disclosures related to ECL on financing assets by reference to the relevant accounting standards.

Valuation of unquoted equity investments

Refer accounting policy in note 4g(iv) and fair value of level 3 financial instruments in note 33.

The key audit matter	How the matter was addressed in our audit
We considered this as a key audit area we focused on because the valuation of unquoted equity securities held at fair value (level 3) requires the application of valuation techniques which often involve the exercise of significant judgment by the Group and the use of significant unobservable inputs and assumptions.	Our procedures included: • we involved our own valuation specialists to assist us in: – evaluating the appropriateness of the valuation methodologies used by comparing with observed industry practice; – evaluating the reasonableness of key input and assumptions used by using our knowledge of the industries in which the investees operate and industry norms. – comparing the key underlying financial data inputs used in the valuation to external sources, investee company financial and management information, as applicable. **Disclosures** Evaluating the adequacy of the Group's disclosures related to valuation of unquoted equity instruments by reference to the relevant accounting standards.

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's report and other sections which forms part of the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Shariah Supervisory Board.

The board of directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Independent Auditors' Report
to the Shareholders (contd.)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable,

Independent Auditors' Report
to the Shareholders (contd.)

actions taken to eliminate threats or safeguards applied.
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Regulatory Requirements
As required by the Commercial Companies Law and Volume 2 of the Rulebook issued by the Central Bank of Bahrain, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 2, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

KPMG Fakhro
Partner Registration Number 137
9 February 2023

Consolidated Statement of Financial Position

for the year ended 31 December 2022 US$ 000's

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and bank balances	6	858,239	722,471
Treasury portfolio	7	4,210,020	3,131,246
Financing assets	8	1,435,238	1,311,002
Investment in real estate	9	1,287,085	1,905,598
Proprietary investments	10	1,005,053	170,317
Co-investments	11	142,051	171,877
Receivables and other assets	12	589,869	531,488
Property and equipment	13	232,736	139,687
Total assets	-	**9,760,291**	8,083,686
LIABILITIES			
Clients' funds	-	123,300	216,762
Placements from financial institutions	-	3,790,870	2,278,480
Placements from non-financial institutions and individuals	14	1,064,258	773,612
Current accounts	-	131,234	133,046
Term financing	15	1,942,198	1,750,667
Other liabilities	16	423,363	404,654
Total liabilities	-	**7,475,223**	5,557,221
Total equity of investment account holders	17	**1,213,674**	1,358,344
OWNERS' EQUITY			
Share capital	18	1,015,637	1,000,637
Treasury shares	-	(105,598)	(48,497)
Statutory reserve	-	36,995	27,970
Investment fair value reserve	-	(53,195)	(28,561)
Foreign currency translation reserve	-	-	(70,266)
Retained earnings	-	95,831	81,811
Share grant reserve	19	6,930	-
Total equity attributable to shareholders of Bank	-	**996,600**	963,094
Non-controlling interests	-	74,794	205,027
Total owners' equity	-	**1,071,394**	1,168,121
Total liabilities, equity of investment account holders and owners' equity	-	**9,760,291**	8,083,686

The consolidated financial statements were approved by the Board of Directors on 9 February 2023 and signed on its behalf by:

Ghazi Faisal Ebrahim Alhajeri
Chairman

Hisham Alrayes
Chief Executive Officer & Board Member

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Income Statement

for the year ended 31 December 2022 US$ 000's

	Note	2022	2021
Investment banking income			
Deal related income	-	86,967	102,304
Fees based income	-	33,536	8,083
	-	**120,503**	110,387
Commercial banking income			
Income from financing	-	94,751	79,333
Treasury and investment income	-	61,021	55,258
Fee and other income	-	9,211	4,630
Less: Return to investment account holders	17	(38,051)	(31,710)
Less: Finance expense	-	(47,960)	(35,685)
	-	**78,972**	71,826
Income from proprietary and co-investments			
Direct investment income, net	-	68,815	14,670
Income from co-investments, net	-	22,915	14,280
Share of profit / (loss) from equity-accounted investees	-	12,437	(61)
Income from sale of assets	-	13,388	24,885
Leasing and operating income	-	7,753	4,959
	-	**125,308**	58,733
Treasury and other income			
Finance and treasury portfolio income, net	-	96,977	107,159
Other income, net	20	19,910	50,643
	-	**116,887**	157,802
Total income	-	**441,670**	398,748
Staff costs	21	70,415	63,231
Other operating expenses	22	77,532	70,299
Finance expense	-	192,706	137,020
Impairment allowances	23	3,310	35,581
Total expenses	-	**343,963**	306,131
Profit for the year	-	**97,707**	92,617
Attributable to:			
Shareholders of the Bank	-	90,253	84,224
Non-controlling interests	-	7,454	8,393
	-	**97,707**	92,617
Earnings per share			
Basic and diluted earnings per share (US cents)	-	**2.65**	2.60

Ghazi Faisal Ebrahim Alhajeri
Chairman

Hisham Alrayes
Chief Executive Officer & Board Member

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Owners' Equity

for the year ended 31 December 2022

US$ 000's

	Attributable to shareholders of the Bank									
31 December 2022	**Share capital**	**Treasury shares**	**Statutory reserve**	**Investment fair value reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Share grant reserve**	**Total**	**Non-controlling interests (NCI)**	**Total owners' equity**
Balance at 1 January 2022	1,000,637	(48,497)	27,970	(28,561)	(70,266)	81,811	-	963,094	205,027	1,168,121
Profit for the period	-	-	-	-	-	90,253	-	90,253	7,454	97,707
Transfer on reclassification from FVTE to amortised cost (Note 7)	-	-	-	41,320	-	-	-	41,320	-	41,320
Fair value changes during the period	-	-	-	(63,312)	-	-	-	(63,312)	(2,462)	(65,774)
Transfer to income statement on disposal of sukuk	-	-	-	(2,642)	-	-	-	(2,642)	-	(2,642)
Total recognised income and expense	**-**	**-**	**-**	**(24,634)**	**-**	**90,253**	**-**	**65,619**	**4,992**	**70,611**
Bonus shares issued for 2021	15,000	-	-	-	-	(15,000)	-	-	-	-
Dividend declared for 2021	-	-	-	-	-	(45,000)	-	(45,000)	-	(45,000)
Purchase of treasury shares	-	(79,141)	-	-	-	-	-	(79,141)	-	(79,141)
Sale / vesting of treasury shares	-	22,040	-	-	-	(5,725)	-	16,315	-	16,315
Transfer to zakah and charity fund	-	-	-	-	-	(1,483)	-	(1,483)	-	(1,483)
Transferred to income statement on deconsolidation of subsidiaries (Note 37)	-	-	-	-	70,266	-	-	70,266	-	70,266
Transfer to statutory reserve	-	-	9,025	-	-	(9,025)	-	-	-	-
Increase in NCI	-	-	-	-	-	-	-	-	6,492	6,492
Issue of shares under incentive scheme (note 19)	-	-	-	-	-	-	6,930	6,930	-	6,930
Adjusted on deconsolidation of subsidiaries (note 37)	-	-	-	-	-	-	-	-	(141,717)	(141,717)
Balance at 31 December 2022	**1,015,637**	**(105,598)**	**36,995**	**(53,195)**	**-**	**95,831**	**6,930**	**996,600**	**74,794**	**1,071,394**

	Attributable to shareholders of the Bank									
31 December 2021	Share capital	Treasury shares	Statutory reserve	Investment Fair value reserve	Foreign currency translation reserve	Retained earnings	Share grant reserve	Total	Non-controlling interests (NCI)	Total owners' equity
Balance at 1 January 2021 (as previously reported)	975,637	(63,978)	19,548	5,592	(46,947)	22,385	1,093	913,330	272,733	1,186,063
Effect of adoption of FAS 32	-	-	-	-	-	(2,096)	-	(2,096)	-	(2,096)
Balance at 1 January 2021 (restated)	975,637	(63,978)	19,548	5,592	(46,947)	20,289	1,093	911,234	272,733	1,183,967
Profit for the year	-	-	-	-	-	84,224	-	84,224	8,393	92,617
Fair value changes during the year	-	-	-	(786)	-	-	-	(786)	62	(724)
Transfer to income statement on disposal of sukuk	-	-	-	(33,367)	-	-	-	(33,367)	-	(33,367)
Total recognised income and expense	-	-	-	(34,153)	-	84,224	-	50,071	8,455	58,526
Bonus Shares issued for 2020	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	-	-	8,422	-	-	(8,422)	-	-	-	-
Purchase of treasury shares	-	(45,025)	-	-	-	-	-	(45,025)	-	(45,025)
Sale / vesting of treasury shares	-	60,506	-	-	-	5,121	-	65,627	-	65,627
Foreign currency translation differences	-	-	-	-	(23,319)	-	-	(23,319)	(5,965)	(29,284)
Acquisition of NCI without a change in control	-	-	-	-	-	23,078	-	23,078	(70,054)	(46,976)
Extinguishment of Share grant reserve to (retained earnings)	-	-	-	-	-	1,093	(1,093)	-	-	-
Balance at 31 December 2021	1,000,637	(48,497)	27,970	(28,561)	(70,266)	81,811	-	963,094	205,027	1,168,121

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

US$ 000's

	31 December 2022	31 December 2021
OPERATING ACTIVITIES		
Profit for the year	97,707	92,617
Adjustments for:		
Income from proprietary and co-investments	(125,308)	(58,733)
Income from treasury and other income	(116,887)	(157,802)
Foreign exchange gain	(4,853)	(2,190)
Finance expense	192,706	137,020
Impairment allowances	3,310	35,581
Depreciation and amortisation	5,841	2,541
	52,516	49,034
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	(475,696)	6,541
Financing assets	(169,271)	(98,555)
Receivables and other assets	(177,000)	(65,637)
CBB Reserve and restricted bank balance	(12,676)	(13,612)
Clients' funds	(93,462)	85,827
Placements from financial institutions	1,520,053	366,126
Placements from non-financial institutions and individuals	290,646	267,966
Current accounts	(1,812)	(7,710)
(Return to) / receipt from equity of investment account holders	(144,670)	201,351
Other liabilities	(113,660)	(60,384)
Net cash generated from operating activities	**674,968**	730,947
INVESTING ACTIVITIES		
Payments for purchase of equipment, net	(1,818)	(3,604)
Proceeds from sale of proprietary and co-investments, net	30,441	13,391
Cash transferred on deconsolidation of a subsidiary	(80,119)	-
Purchase of treasury portfolio, net	(467,860)	(1,177,088)
Profit received on treasury portfolio and other income	111,054	95,759
Proceeds from sale of investment in real estate	19,209	9,741
Dividends received from proprietary and co-investments	55,235	18,030
Payment for development of real estate asset	(65,809)	(6,515)
Cash paid on acquisition of subsidiaries	(7,112)	-
Net cash used in investing activities	**(406,779)**	(1,050,286)

US$ 000's

	31 December 2022	31 December 2021
FINANCING ACTIVITIES		
Term financing, net	215,998	701,035
Finance expense paid	(204,649)	(190,713)
Dividends paid	(44,818)	(17,575)
(Purchase) / sale of treasury shares, net	(38,000)	15,481
Net cash (used) in / generated from financing activities	**(71,469)**	508,228
Net increase in cash and cash equivalents during the year	**196,720**	188,889
Cash and cash equivalents at 1 January *	844,344	655,455
Cash and cash equivalents at 31 December	**1,041,064**	844,344
Cash and cash equivalents comprise: *		
Cash and balances with banks (excluding CBB Reserve balance and restricted cash)	787,479	664,388
Placements with financial institutions (original maturities of 3 months or less)	253,585	179,956
	1,041,064	844,344

** net of expected credit loss of US$ 11 thousand (31 December 2021: US$ 24 thousand)*

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of
Changes in Restricted Investment Accounts

for the year ended 31 December 2022 US$ 000's

31 December 2022	Balance at 1 January 2022			Movements during the year						Balance at 31 December 2022		
Company	**No. of units (000)**	**Average value per share $**	**Total US$ 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 $**	**Total US$ 000's**
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**

31 December 2021	Balance at 1 January 2021			Movements during the year						Balance at 31 December 2021		
Company	No. of units (000)	Average value per share $	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 $	Total US$ 000's
Mena Real Estate Company KSCC	150	0.33	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.91	95	(2)	-	-	-	-	-	12	7.87	94
Safana Investment (RIA 1) #	6,254	2.65	16,573	(13,268)	-	-	-	-	-	1,247	2.65	3,305
Shaden Real Estate Investment WLL (RIA 5) #	3,434	2.65	9,100	(8,387)	-	-	-	-	-	269	2.65	713
Locata Corporation Pty Ltd (RIA 6) #	2,633	1.00	2,633	(2,633)	-	-	-	-	-	-	-	-
			28,451	(24,290)	-	-	-	-	-			4,162

#Represents restricted investment accounts of Khaleeji Commercial Bank BSC, a consolidated subsidiary

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Sources and Uses of Zakah and Charity Fund

for the year ended 31 December 2022 US$ 000's

	2022	2021
Sources of zakah and charity fund		
Contributions by the Group	2,531	1,766
Non-Sharia income (note 28)	88	31
Total sources	**2,619**	1,797
Uses of zakah and charity fund		
Utilisation of zakah and charity fund	(1,903)	(1,970)
Total uses	**(1,903)**	(1,970)
Surplus of sources over uses	716	(173)
Undistributed zakah and charity fund at 1 January	5,208	5,346
Undistributed zakah and charity fund at 31 December (note 16)	**5,924**	5,173
Represented by:		
Zakah payable	753	954
Charity fund	5,171	4,219
	5,924	5,173

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022 US$ 000's

1. REPORTING ENTITY

GFH Financial Group BSC ("the Bank") was incorporated as Gulf Finance House BSC in 1999 in the Kingdom of Bahrain under Commercial Registration No. 44136 and operates under an Islamic Wholesale Investment Banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's shares are listed on the Bahrain, Kuwait, Dubai and Abu Dhabi Financial Market Stock Exchanges. The Bank's sukuk certificates are listed on London Stock Exchange.

The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board. The principal activities of the Bank include investment advisory services and investment transactions which comply with Islamic rules and principles determined by the Bank's Shari'a Supervisory Board.

The consolidated financial statements for the year comprise the results of the Bank and its subsidiaries (together referred to as "the Group"). The significant subsidiaries of the Bank which consolidated in these financial statements are:

Investee	Country of incorporation	Effective ownership interests as at 31 December 2022	Activities
GFH Capital Limited	United Arab Emirates	100%	Investment management
GFH Capital S.A.	Saudi Arabia	100%	Investment management
GFH Financial Group Limited	United Kingdom	100 %	Hold co for Investment management
Khaleeji Commercial Bank BSC ('KHCB')	Kingdom of Bahrain	85.14%	Islamic retail bank
Al Areen Project companies	Kingdom of Bahrain	100%	Real estate development
GBCORP Tower Group Ltd	Kingdom of Bahrain	62.91%	Own & lease real estate
GBCORP B.S.C (c)*	Kingdom of Bahrain	42.91%	Islamic investment firm
Residential South Real Estate Development Company (RSRED)	Kingdom of Bahrain	100%	Real estate development
Harbour House Row Towers W.L.L.	Kingdom of Bahrain	100%	Own & lease real estate
Al Areen Hotels W.L.L. (Note 38)	Kingdom of Bahrain	100%	Hospitality management services
Britus International School for Special Education W.L.L	Kingdom of Bahrain	100%	Educational institution
Gulf Holding Company KSCC	State of Kuwait	53.63%	Investment in real estate
SQ Topco II LLC (Note 38)	United States	51%	Property asset management Company
Big Sky Asset Management LLC (Note 38)	United States	51%	Real estate investment manager
Roebuck A M LLP	United Kingdom	60%	Property asset management Company

The Bank has other SPE holding companies and subsidiaries, which are set up to supplement the activities of the Bank and its principal subsidiaries.
** During the year the Bank divested 20% equity stake without losing controlling interest in the entity.*

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and in conformity with Commercial Companies Law. In line with the requirement of AAOIFI and the Rulebook issued by CBB, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards (IFRS).

The accounting policies used in the preparation of annual audited consolidated financial statements 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 financial statements for the year ended 31 December 2022 has been prepared in accordance with FAS issued by AAOIFI (without any modifications).

3. BASIS OF MEASUREMENT

The consolidated financial statements are prepared on the historical cost basis except for the measurement at fair value of investment securities.

The Group classifies its expenses in the consolidated income statement by the nature of expense method. The consolidated financial statements are presented in United States Dollars (US$), which is also the functional currency of the Group's operations. All financial information presented in US$ has been rounded to the nearest thousands, except when otherwise indicated.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Management believes that the underlying assumptions are appropriate and the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The below paragraphs and tables describe the Group's significant lines of business and sources of revenue they are associated with.

Activities:
The Group's primary activities include: a) to provide investment opportunities and manage assets on behalf of its clients as an agent, b) to provide commercial banking services, c) to undertake targeted development and sale of infrastructure and real estate projects for enhanced returns, and, d) to co-invest with clients and hold strategic proprietary assets as a principal. In addition, the Group also manages its treasury portfolio with the objective of earning higher returns from capital and money market opportunities.

Segments:
To undertake the above activities, the Group has organised itself in the following operating segments units:

Investment banking	Investment banking segment focuses on private equity and asset management activities. Private equity activities include acquisition of interests in unlisted businesses at average prices with potential for growth. The Group acts as both a principal and an intermediary by acquiring, managing and realizing investments in investment assets for institutional and high net worth clients. The asset management unit is responsible for identifying and managing investments in income yielding real estate and leased assets in the target markets. Investment banking activities focuses on acquiring, managing and realizing investments to achieve and exceed benchmark returns. Investment banking activities produce fee-based, activity-based and asset-based income for the Group. Assets under this segment include investment banking receivables.
Commercial banking	This includes all sharia compliant corporate banking and retail banking activities of the Group provided through the Group's subsidiary, Khaleeji Commercial Bank BSC. The subsidiary also manages its own treasury and proprietary investment book within this operating segment.
Proprietary and treasury	All common costs and activities that are undertaken at the Group level, including treasury and residual proprietary and co-investment assets, is considered as part of the Proprietary and treasury activities of the Group.

Each of the above operating segments, except commercial banking which is a separate subsidiary, has its own dedicated team of professionals and are supported by a common placement team and support units.

The strategic business units offer different products and services and are managed separately because they require different strategies for management and resource allocation within the Group. For each of the strategic business units, the Group's Board of Directors (chief operating decision makers) review internal management reports on a quarterly basis.

The performance of each operating segment is measured based on segment results and are reviewed by the management committee and the Board of Directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing, if any is determined on an arm's length basis.

The Group classifies directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment expenses respectively. Indirect costs is allocated based on cost drivers/factors that can be identified with the segment and/ or the related activities. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures. The unallocated revenues, expenses, assets and liabilities related to entity-wide corporate activities and treasury activities at the Group level. Expenses are not allocated to the business segment.

Sources of revenue:
The Group primarily earns its revenue from the following sources and presents its statement of income accordingly:

Activity/ Source	Products	Types of revenue
Investment banking	Deal-by-deal offerings of private equity, income yielding asset opportunities.	Deal related income, earned by the Group from structuring and sale of assets. Fee based income, in the nature of management fees, performance fee, acquisition fee and exit fee which are contractual in nature.
Commercial banking	Islamic Shari'ah compliant corporate, institutional and retail banking financing and cash management products and services.	Financing income, fees and investment income (net of direct funding costs).
Proprietary investments	Proprietary investments comprise the Group's strategic investment exposure. This also includes equity -accounted investees where the Bank has significant influence.	Includes dividends, gain / (loss) on sale and remeasurement of proprietary investments and share of profit / (loss) of equity accounted investees. Income from restructuring of liabilities and funding arrangements are also considered as income from proprietary investments.
Co-investment	Represent the Group's co-investment along with its clients in the products promoted by the Group.	Dividends, gain / (loss) on co-investments of the Bank.
Sale of assets	Proprietary holdings of real estate for direct sale, development and sale, and/ or rental yields. This also includes the group's holding or participation in leisure and hospitality assets.	Development and sale income arises from development and real estate projects of the Group based on percentage of completion (POC) method. Leasing and operating income, from rental and other ancillary income from investment in real estate and other assets.
Treasury operations	Represents the Bank's liquidity management operations, including its fund raising and deployment activities to earn a commercial profit margin.	Income arising from the deployment of the Bank's excess liquidity, through but not limited to short term placements with bank and financial institutions, money market instruments, capital market and other related treasury investments.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all periods presented in the consolidated financial statements and have been consistently applied by the Group.

(a) New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2022
The following new standards and amendments to standards are effective for financial years beginning on or after 1 January 2022 with an option to early adopt. However, the Group has not early adopted any of these standards.

(i) 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 with an option to early adopt.

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 and accounting for Tahawwut (hedging) arrangements based on a series of Wa'ad and Khiyar contracts.

The Group did not have any significant impact on adoption this standard.

(b) New standards, amendments, and interpretations issued but not yet effective
The following new standards and amendments to standards are issued but not yet effective which are relevant for the Group with an option to early adopt. However, the Group has not early adopted any of these standards.

(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. (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

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 2024 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 Quassi 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 statement in line with the wider market practice.

(iii) FAS 41 Interim financial reporting
This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard also provides an option for the institution to prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard will be effective for financial statements for the period beginning on or after 1 January 2023 and is not expected to have any significant impact on the Group's interim financial information.

(c) Basis of consolidation
(i) Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in the consolidated income statement.

(ii) Subsidiaries
Subsidiaries are those enterprises (including special purpose entities) controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control commences until when control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(c) Basis of consolidation (contd.)

(iii) Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.
If less than 100% of a subsidiary is acquired, then the Group elects on a transaction-by-transaction basis to measure non-controlling interests either at:

(iii) Non-controlling interests (NCI) (continued)

- Fair value at the date of acquisition, which means that goodwill, or the gain on a bargain purchase, includes a portion attributable to ordinary non-controlling interests; or
- the holders' proportionate interest in the recognised amount of the identifiable net assets of the acquire, which means that goodwill recognised, or the gain on a bargain purchase, relates only to the controlling interest acquired.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Special purpose entities
The consolidated financial statements of the Group comprise the financial statements of the Bank and its subsidiaries. Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Control is presumed to exist, when the Bank owns majority of voting rights in an investee.

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or investment transaction and usually voting rights are relevant for the operating of such entities. An investor that has decision-making power over an investee and exposure to variability of returns determines whether it acts as a principal or as an agent to determine whether there is a linkage between power and returns. When the decision maker is an agent, the link between power and returns is absent and the decision maker's delegated power does not lead to a control conclusion. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of these entities are usually not included in these consolidated financial statements. Information about the Group's fiduciary assets under management is set out in note 26. For the purpose of reporting assets under management, the gross value of assets managed are considered.

(v) Loss of control
When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any surplus or deficit arising on the loss of control is recognised in consolidated income statement. Any interest retained in the former subsidiary, is measured at fair value when control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for investment securities depending on the level of influence retained.

(vi) Equity accounted investees
This comprise investment in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exits when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates and Joint venters are accounted for under equity method. These are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investees after the date of acquisition. Distributions received from an investees reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investees arising from changes in the investee's equity. When the

Group's share of losses exceeds its interest in an equity-accounted investees, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investees. Equity accounting is discontinued when an associate is classified as held-for-sale.

Notes to the Consolidated
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for the year ended 31 December 2022

(vii) Transactions eliminated on consolidation and equity accounting
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency translation gains or losses) from intra-group transactions with subsidiaries are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity-accounted investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and equity- accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Assets held-for-sale

Classification
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use within twelve months. A subsidiary acquired exclusively with a view to resale is classified as disposal group held-for-sale and income and expense from its operations are presented as part of discontinued operation.

Measurement
Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

If the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

(e) Foreign currency transactions

(i) Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items carried at their fair value, such as certain equity securities measured at fair value through equity, are included in investments fair value reserve.

(iii) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into US$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US$ at the exchange rates at the date of the transactions. Foreign currency differences are accumulated into foreign currency translation reserve in owners' equity, except to the extent the translation difference is allocated to NCI.

When foreign operation is disposed of in its entirety such that control is lost, cumulative amount in the translation reserve is reclassified to consolidated income statement as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(f) Offsetting of financing instruments
Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted under AAOIFI, or for gains and losses arising from a group of similar transactions.

(g) Investment securities
Investment securities are categorised as proprietary investments, co-investments and treasury portfolio.
(refer note 3 for categorisation)

Investment securities comprise debt type and equity type instruments but exclude investment in subsidiaries and equity-accounted investees (note 4 (c) (ii) and (vi)).

(i) Categorization and classification
The classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as either investment in:

i) equity-type instruments
ii) debt-type instruments, including:
- monetary debt-type instruments; and
- non-monetary debt-type instruments.

iii) other investment instruments
Unless irrevocable initial recognition choices as per the standard are exercised, an institution shall classify investments as subsequently measured at either of:
- amortised cost;
- fair value through equity (FVTE) or
- fair value through income statement (FVTIS), on the basis of both:
the Group's business model for managing the investments; and
the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

(ii) Recognition and de-recognition
Investment securities are recognised at the trade date i.e. the date that the Group commits to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement
Investment securities are measured initially at fair value plus, except for investment securities carried at FVTIS, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the consolidated income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in owners equity and presented in a separate investment fair value reserve in equity.

The fair value gains / (losses) are recognised taking into consideration the split between portions related to owners' equity and equity of investment account holders. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in owners' equity is transferred to the income statement.

Investments at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or there are no other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

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for the year ended 31 December 2022

(iv) Measurement principles
Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction (directly or through use of an allowance account) for impairment or uncollectibility. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses, price / earnings multiples and other valuation models with accepted economic methodologies for pricing financial instruments.

Some or all of the inputs into these models may not be market observable, but are estimated based on assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

(iv) Measurement principles (continued)
Fair value estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(h) Financing assets
Financing assets comprise Shari'a compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka, Istisna and Wakala contracts. Financing assets are recognised on the date at which they are originated and are carried at their amortised cost less impairment allowances, if any.

(i) Assets acquired for leasing
Assets acquired for leasing (Ijarah Muntahia Bittamleek) comprise finance lease assets which are stated at cost less accumulated depreciation and any impairment in value. Under the terms of lease, the legal title of the asset passes to the lessee at the end of the lease term, provided that all lease instalments are settled. Depreciation is calculated on a straight-line basis at rates that systematically reduce the cost of the leased assets over the period of the lease. The Group assesses at each reporting date whether there is objective evidence that the assets acquired for leasing are impaired. Impairment losses are measured as the difference between the carrying amount of the asset (including lease rental receivables) and the estimated recoverable amount. Impairment losses, if any, are recognised in the consolidated income statement.

(j) Placements with and from financial and other institutions
These comprise placements made with/ from financial and other institutions under shari'a compliant contracts. Placements are usually short term in nature and are stated at their amortised cost.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(k) Cash and cash equivalents
For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and placements with financial institutions) with original maturities of three months or less when acquired that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank balances that are restricted and not available for day-to-day operations of the Group are not included in cash and cash equivalents.

(l) Non-trading derivatives
Non-trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit and loss as a component of net income from other financial instruments at FVTPL.

(m) Investment property
Investment property comprise land plots and buildings. Investment property is property held to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property is measured initially at cost, including directly attributable expenses. Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment allowances (if any). Land is not depreciated, and building is depreciated over the period of 30 to 45 years.

A property is transferred to investment property when, there is change in use, evidenced by:
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating ijara to another party, for a transfer from a development property to investment property.

Further, an investment property is transferred to development property when, there is a change in use, evidenced by:
- commencement of own use, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment in real estate to development property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the property is derecognised.

(n) Development properties
Development properties are properties held for sale or development and sale in the ordinary course of business. Development properties are measured at the lower of cost and net realisable value.

(o) Property and equipment
Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projection if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in the consolidated income statement.

The estimated useful lives of property and equipment of the industrial business assets are as follows:

Buildings and infrastructure on lease hold	30 – 50 years
Computers	3 – 5 years
Furniture and fixtures	5 – 8 years
Motor vehicles	4 – 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts, being the higher of the fair value less costs to sell and their value in use.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the consolidated statement of income in the year of derecognition.

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively if appropriate.

(p) Intangible assets
Goodwill
Goodwill that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other Intangible assets
Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Subsequently, intangible assets are recognised at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated income statement in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expenses category consistent with the function if intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible assets with indefinite useful life consists of a license to construct and operate a cement plant in the Kingdom of Bahrain.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

(q) Impairment of exposures subject to credit risk
The Group recognises loss allowances for the expected credit losses "ECLs" on:
- Bank balances;
- Placements with financial institutions;
- Financing assets;
- Lease rental receivables;
- Investments in Sukuk (debt-type instruments carried at amortised cost);
- Other receivables; and
- Undrawn financing commitments and financial guarantee contracts issued.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- Debt-type securities that are determined to have low credit risk at the reporting date; and
- Other debt-type securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of an exposure subject to credit risk has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

4. **SIGNIFICANT ACCOUNTING POLICIES (contd.)**

(q) Impairment of exposures subject to credit risk (contd.)
The Group assumes that the credit risk on exposure subject to credit risk increased significantly if it is more than 30 days past due. The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, if any is held; or
- the exposure is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be BBB- or higher per S&P.

The Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL
Stage 1 includes exposures that are subject to credit risk on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Stage 2: Lifetime ECL - not credit impaired
Stage 2 includes exposures that are subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD').

Stage 3: Lifetime ECL - credit impaired
Stage 3 includes exposures that are subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Exposures subject to credit risk that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Exposures subject to credit risk that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover; and
- ECLs are discounted at the effective profit rate of the exposure subject to credit risk.

Credit-impaired exposures
At each reporting date, the Group assesses whether exposures subject to credit risk are credit impaired. An exposure subject to credit risk is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that an exposure is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a financing facility or advance by the Bank on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for exposures subject to credit risk are deducted from the gross carrying amount of the assets.

(r) Impairment of equity investments classified at fair value through equity (FVTE)
In the case of investments in equity securities classified as FVTE. A significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment. The Group considers a decline of 30% to be significant and a period of nine months to be prolonged. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are subsequently reversed through equity.

(s) Impairment of non-financial assets
The carrying amount of the Group's non-financial assets (other than those subject to credit risk covered above) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

(t) Clients' funds
These represents amounts received from customers for investments in SPEs or project companies formed as part of its investment management activities pending transfer to these entities. These funds are usually disbursed on capital calls from these entities based on its activities and requirements and are payable on demand. Such funds held by the Group are carried at amortised cost.

(u) Current accounts
Balances in current (non-investment) accounts are recognised when received by the Group. The transactions are measured at the cash equivalent amount received by the Group at the time of contracting. At the end of the accounting period, the accounts are measured at their book value.

(v) Term financing
Term financing represents facilities from financial institutions, and financing raised through Sukuk. Term financing are initially measured at fair value plus transaction costs, and subsequently measured at their
amortised cost using the effective profit rate method. Financing cost, dividends and losses relating to the term financing are recognised in the consolidated income statement as finance expense. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(w) Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment to settle the liability, when a payment under the guarantee has become probable. The Group has issued financial guarantees to support its development projects (note 34).

(x) Dividends
Dividends to shareholders is recognised as liabilities in the period in which they are declared.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(y) Share capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares and equity component of share-based payments and convertible instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Treasury shares

The amount of consideration paid including all directly attributable costs incurred in connection with the acquisition of the treasury shares are recognised in equity. Consideration received on sale of treasury shares is presented in the financial statements as a change in equity. No gain or loss is recognised on the Group's consolidated income statement on the sale of treasury shares.

Statutory reserve

The Commercial Companies Law requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital. Appropriation to statutory reserve is made when approved by the shareholders.

(z) Equity of investment account holders

Equity of investment account holders are funds held by the Group in unrestricted investment accounts, which it can invest at its own discretion. The investment account holder authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to customers is allocated to investment accounts after setting aside provisions, reserves (Profit equalisation reserve and Investment risk reserve) and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts. Only the income earned on pool of assets funded from IAH are allocated between the owners' equity and investment account holders. Administrative expenses incurred in connection with the management of the funds are borne directly by the Group and are not charged separately to investment accounts.

The Group allocates specific provision and collective provision to owners' equity. Amounts recovered from these impaired assets is not subject to allocation between the IAH and owners' equity.

Investment accounts are carried at their book values and include amounts retained towards profit equalisation, investment risk reserves, if any. Profit equalisation reserve is the amount appropriated by the Group out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the Group out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders. Creation of any of these reserves results in an increase in the liability towards the pool of unrestricted investment accounts.

Restricted investment accounts

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudharaba contract or agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

(aa) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that future economic benefits associated with the item of revenue will flow to the Group, the revenue can be measured with reliability and specific criteria have been met for each of the Group's activities as described below:

Banking business

Income from investment banking activities is recognised when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the private placement memorandum/ contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is determined when legally binding commitments have been obtained from underwriters and external investors for a substantial investment in the transaction.

Income from placements with / from financial institutions are recognised on a time-apportioned basis over the period of the related contract using the effective profit rate.

Dividend income from investment securities is recognised when the right to receive is established. This is usually the ex-dividend date for equity securities.

Finance income / expenses are recognised using the amortised cost method at the effective profit rate of the financial asset / liability.

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management fees, placement and arrangement fees and syndication fees, are recognised as the related services are performed.

Income from Murabaha and Wakala contracts are recognised on a time-apportioned basis over the period of the contract using the effective profit method.

Profit or losses in respect of the Bank's share in Musharaka financing transaction that commence and end during a single financial period is recognised in the income statement at the time of liquidation (closure of the contract). Where the Musharaka financing continues for more than one financial period, profit is recognised to the extent that such profits are being distributed during that period in accordance with profit sharing ratio as stipulated in the Musharaka agreement.

Income from assets acquired for leasing (Ijarah Muntahia Bittamleek) are recognised proportionately over the lease term.

Income from sukuk and income / expenses on placements is recognised at its effective profit rate over the term of the instrument.

Non-banking business

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue is recognised when the goods are provided to the customer, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and cost could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.

(bb) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable means.

(cc) Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 9 issued by AAOIFI using the net assets method. Zakah is paid by the Group based on the consolidated figures of statutory reserve, general reserve and retained earning balances at the beginning of the year. The remaining Zakah is payable by individual shareholders. Payment of Zakah on equity of investment account holders and other accounts is the responsibility of investment account holders.

(dd) Employees benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Post employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in consolidated income statement when they are due.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(dd) Employees benefits (contd.)

Expatriate and certain Bahraini employees on fixed contracts are entitled to leaving indemnities payable, based on length of service and final remuneration. Provision for this unfunded commitment, has been made by calculating the notional liability had all employees left at the reporting date. These benefits are in the nature of a "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated income statement.

The Group also operates a voluntary employee saving scheme under which the Group and the employee contribute monthly on a fixed percentage of salaries basis. The scheme is managed and administered by a board of trustees who are employees of the Group. The scheme is in the nature of a defined contribution scheme and contributions by the Group are recognised as an expense in the consolidated income statement when they are due.

Share-based employee incentive scheme

The Bank operates a share-based incentive scheme for its employees (the "Scheme") whereby employee are granted the Bank's shares as compensation on achievement of certain non-market based performance conditions and service conditions (the 'vesting conditions'). The grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the share awards.

Non-vesting conditions are taken into account when estimating the fair value of the equity instrument but are not considered for the purpose of estimating the number of equity instruments that will vest. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value but are considered for the purpose of estimating the number of equity instruments that will vest. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. Amount recognised as expense are not trued-up for failure to satisfy a market condition.

(ee) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(ff) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(gg) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

(hh) Investment account holder protection scheme

Funds held with the Group in unrestricted investment accounts and current accounts of its retail banking subsidiary are covered by the Deposit Protection Scheme (the Scheme) established by the Central Bank of Bahrain regulation in accordance with Resolution No (34) of 2010.

(ii) Income tax

The Group is exposed to taxation by virtue of operations of subsidiaries. Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Currently, the Group does not have any material current or deferred tax exposure that requires recognition in the consolidated financial statements.

(jj) Ijarah

Identifying an Ijarah

At inception of a contract, the Group assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration.
At the commencement date, the Group shall recognises a right-of-use (usufruct) asset and a net ijarah liability

i) Right-of-use (usufruct) asset

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:
- The prime cost of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah), the prime cost at commencement date may be estimated based on the fair value of the total consideration paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

The Group determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:
- Extension periods if it is reasonably certain that the Group will exercise that option; and/ or
- Termination options if it is reasonably certain that the Bank will not exercise that option.

The Group carries out impairment assessment to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered.

ii) Net ijarah liability

The net ijarah liability comprises of the gross Ijarah liability, plus deferred Ijarah cost (shown as a contra-liability).

The gross Ijarah liability shall be initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprise of the following payments for the right to use the underlying asset during the Ijarah term:
- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

Advance rentals paid are netted-off with the gross Ijarah liability.

Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintenance. As of 31 December 2022, the Group did not have any contracts with variable or supplementary rentals.

After the commencement date, the Group measures the net Ijarah liability by:
- Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or reflect revised Ijarah rentals.
- The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

After the commencement date, the Group recognises the following in the income statement:
- Amortisation of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur.

Ijarah contract modifications
After the commencement date, the Group accounts for Ijarah contract modifications as follows:
- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: re-calculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of-use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset. For modifications not meeting any of the conditions stated above, the Group considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Group recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

Expenses relating to underlying asset.
Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Group, are recognised by the Group in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

Recognition exemptions and simplified accounting for the lessee
The Group does not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and lease liability for the following:
- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Short-term Ijarah exemption is applied on a whole class of underlying assets if they have similar characteristics and operational utility. However, low-value Ijarah exemption is applied on an individual asset/ Ijarah transaction, and not on group/ combination basis.

Lessor accounting for Ijara Muntahia Bittamleek contracts Refer note 4(g)

5. JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events.

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 year ended 31 December 2022, the Group's investment portfolio reduced in market value by US$ 63,312 thousand for investments carried as FVTE and US$ 48,399 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 it's market portfolio in short term.

(a) Judgements
Establishing the criteria for determining whether credit risk on an exposure subject to credit risk has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL and selection and approval of models used to measure ECL is set out in note 4(q) and note 35(a).

(i) Classification of investments
In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through income statement or investments carried at fair value through equity or investments carried at amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification (note 4g(i)).

(ii) Special purpose entities
The Group sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPE's, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPE's that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

(iii) Impairment of equity investments at fair value through equity – (refer to note 4 (g) (iii)

(b) Estimations
(i) Impairment of exposures subject to credit risk carried at amortised cost
Determining inputs into ECL measurement model including incorporation of forward-looking information is set out in note 4(q) and note 35(a).

(ii) Measurement of fair value of unquoted equity investments
The group determines fair value of equity investments that are not quoted in active markets by using valuation techniques such as discounted cashflows, income approach and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matter of significant judgment and therefore, cannot be determined with precision. There is no certainty about future events such as continued operating profits and financial strengths. It is reasonably possible based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flows models have been used to estimate fair values, the future cashflows have been estimated by the management based on information form and discussion with representatives of investee companies and based on the latest available audited and unaudited financial statements. The basis of valuation has been reviewed by the management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the board of directors for inclusion in the consolidated financial statements.

Valuation of equity investments are measured at fair value through equity which involves judgment and is normally based on one of the following
- Valuation by independent external value for underlying properties / projects;
- Recent arms-length market transaction;
- Current fair value of another contract that is substantially similar;
- Present value of expected cash flows at current rates applicable for items with similar terms and risk characteristics; or
- Application of other valuation models.

(iii) Impairment of investment property
The Group conducts impairment assessment of investment property periodically using external independent property valuers to value the property. The fair value is determined based on the market value of the property using either sales comparable approach, the residual value basis, replacement cost or the market value of the property considering its current physical condition. The Group's investment properties are situated in Bahrain, UAE and Morocco. Given the dislocation in the property market and infrequent property transactions, it is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of these assets within the next financial year due to significant changes in assumptions underlying such assessments.

5. JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (contd.)

(b) Estimations (continued)

(iv) Impairment of other non-financial assets and cash generating units

Investment in associates and recognised goodwill are subject to an impairment based on indicators of performance and market conditions. Cash generating units include the Group's investments in certain subsidiaries and equity-accounted investees and investment property that generate cash flows that are largely independent from other assets and activities of the Group. The basis of impairment assessment for such cash generating units is described in accounting policy note 4 (s). For equity-accounted investees with indicators of impairment, the recoverable amounts is determined based on higher of fair value less costs to sell (FVLCTS); and value in use.

The recoverable amount for the equity-accounted investees was determined using a combination of income and market approaches of valuations. The objective of valuation techniques is to determine whether the recoverable amount is greater than the carrying amount.

6. CASH AND BANK BALANCES

US$ 000's

	31 December 2022	31 December 2021
Cash	9,098	12,153
Balances with banks	714,968	523,735
Balances with Central Bank of Bahrain:		
- Current account	65,751	146,026
- Reserve account	68,422	40,557
	858,239	722,471

The reserve account with the Central Bank of Bahrain of US$ 68,422 thousand (2021: US$ 40,557 thousand) are not available for day-to-day operational purposes. The cash and bank balances are net of ECL of US$ 11 thousand (2021: US$ 24 thousand).

7. TREASURY PORTFOLIO

US$ 000's

	31 December 2022	31 December 2021
Placements with financial institutions	729,311	180,000
Derivatives		
At fair value through income statement	2,675	
Equity type investments		
At fair value through equity		
- Quoted sukuk	32,966	20,344
At fair value through income statement		
- Structured notes	371,978	445,183
Debt type investments		
At fair value through equity		
- Quoted sukuk	846,205	1,635,744
At amortised cost		
- Quoted sukuk *	2,240,354	860,616
- Unquoted sukuk	3,494	3,486
Less: Impairment allowances (note 23)	(16,963)	(14,127)
	4,210,020	3,131,246

** Short-term and medium-term facilities of US$ 1,653,875 thousand (31 December 2021: US$ 1,417,800 thousand) are secured by quoted sukuk of US$ 2,506,041 thousand (31 December 2021: US$ 2,070,315 thousand), structured notes of US$ 371,928 thousand (31 December 2021: US$ 445,183 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.

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 are 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:

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

a) Investments - At fair value through income statement

US$ 000's

	2022	2021
At 1 January	445,183	369,628
Additions	52,602	557,681
Disposals	(74,734)	(464,903)
Fair value changes, net	(48,398)	(17,223)
At 31 December 2022	**374,653**	445,183

b) Investments - At fair value through equity

US$ 000's

	2022	2021
At 1 January	1,656,088	648,991
Additions during the year	319,192	1,122,544
Disposals / Transfers	(123,495)	(76,033)
Amortization	(7,192)	(5,340)
Reclassification to amortized cost	(935,514)	-
Fair value changes	(29,908)	(34,074)
At 31 December 2022	**879,171**	1,656,088

8. FINANCING ASSETS

US$ 000's

	31 December 2022	31 December 2021
Murabaha	982,170	995,324
Wakala	239	239
Mudharaba	17,336	2,576
Ijarah assets	499,865	384,312
	1,499,610	1,382,451
Less: Impairment allowances	(64,372)	(71,449)
At 31 December 2022	**1,435,238**	1,311,002

Murabaha financing receivables are net of deferred profits of US$ 50,133 thousand (2021: US$ 46,130 thousand).

US$ 000's

31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financing assets (gross)	1,286,549	143,496	69,565	1,499,610
Expected credit loss	(18,046)	(11,990)	(34,336)	(64,372)
Financing assets (net)	**1,268,503**	**131,506**	**35,229**	**1,435,238**

US$ 000's

31 December 2021	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

The movement on impairment allowances is as follows:

US$ 000's

Impairment allowances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	19,995	7,109	44,345	71,449
Net transfers	2,403	(1,411)	(992)	-
Net charge for the year (note 23)	(4,245)	6,292	4,888	6,935
Write-off	-	-	(14,012)	(14,012)
At 31 December 2022	**18,153**	**11,990**	**34,229**	**64,372**

US$ 000's

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	20,841	6,255	28,914	56,010
Net transfers	796	822	(1,618)	-
Net charge for the year (note 23)	(1,640)	(64)	18,080	16,376
Write-off	-	-	(12)	(12)
Disposal	(2)	96	(1,019)	(925)
At 31 December 2021	19,995	7,109	44,345	71,449

9. INVESTMENT IN REAL ESTATE

US$ 000's

	31 December 2022	31 December 2021
Investment Property		
- Land	560,627	529,076
- Building	152,484	63,758
	713,111	592,834
Development Property		
- Land	143,488	592,926
- Building	430,486	719,838
	573,974	1,312,764
	1,287,085	1,905,598

(i) Investment property

Investment property includes land plots and buildings in GCC, Europe and North Africa. Investment property of carrying amount of US$ 39.9 mn (2021: US$ 40.84 mn) is pledged against Wakala facilities and Ijarah facility (note 15).

The fair value of the Group's investment property at 31 December 2022 was US$ 931,291 thousand (31 December 2021: US$ 766,848 thousand) based on a valuation carried out by an independent external property valuers who have recent experience in the location and category of the asset being valued. These are level 3 valuations in fair value hierarchy.

US$ 000's

	2022	2021
At 1 January	592,834	545,072
Reclassification from other assets	-	17,338
Additions during the year	175,834	30,424
Depreciation	(2,805)	-
Disposals / transfers	(52,752)	-
At 31 December	**713,111**	592,834

(ii) Development properties

This represent properties under development for sale.

US$ 000's

	2022	2021
At 1 January	1,312,764	1,296,803
Additions	88,829	21,151
Disposals	(827,619)	(5,190)
At 31 December 2022	**573,974**	1,312,764

10. PROPRIETARY INVESTMENTS

US$ 000's

	31 December 2022	31 December 2021
Equity type investments		
At fair value through income statement (i)		
- Unquoted securities	9,480	10,000
	9,480	10,000
At fair value through equity		
- Listed equity securities (ii)	-	13
- Equity type Sukuk (iv)	836,251	-
- Unquoted equity securities (iii)	55,893	91,425
	892,144	91,438
Equity-accounted investees (iv)	103,471	69,003
Impairment allowance	(42)	(124)
	1,005,053	170,317

(i) Equity type investments – At fair value through income statement

US$ 000's

	2022	2021
At 1 January	10,000	10,000
Disposals	(520)	-
At 31 December 2022	**9,480**	10,000

(ii) Listed equity securities at fair value through equity

US$ 000's

	2022	2021
At 1 January	13	19,060
Disposals	(13)	(19,047)
At 31 December 2022	**-**	13

(iii) Unquoted equity securities fair value through equity

US$ 000's

	2022	2021
At 1 January	91,425	108,998
Sale during the year	-	(21,003)
Capital repayments during the year	(520)	(5,856)
Additions during the year	6,050	9,286
Disposal / Transfers	(41,062)	-
At 31 December	**55,893**	91,425

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(iv) Equity-accounted investees

Equity-accounted investees represents investments in the following material entities:

US$ 000's

		% Holding		
Name	**Country of incorporation**	**2022**	**2021**	**Nature of business**
Capital Real Estate Projects Company B.S.C. (c)	Kingdom of Bahrain	30%	40%	Real estate holding and development
Bahrain Aluminium Extrusion Company B.S.C (c) ('Balexco')	Kingdom of Bahrain	-	17.92%	Extrusion and sale of aluminium products
Enshaa Development Real Estate B.S.C. (c)	Kingdom of Bahrain	33.33%	33.33%	Holding plot of land in Kingdom of Bahrain
Infracorp B.S.C. (c)	Kingdom of Bahrain	40.0%	-	Management of Real Estate

US$ 000's

	2022	2021
At 1 January	69,003	78,050
Additions	80,000	-
Disposals	(57,437)	(6,111)
Share of profit / (loss) for the year, net	11,905	(2,936)
At 31 December 2022	**103,471**	69,003

Summarised financial information of entities that have been equity-accounted investments not adjusted for the percentage ownership held by the Group (based on most recent management accounts):

US$ 000's

Infracorp B.S.C. (c)	**2022**	2021
Total assets	1,687,534	202,396
Total liabilities	418,012	667
Equity type sukuk	900,000	-
Total revenues	130,360	3,548
Total profit/ (loss)	33,190	(799)

US$ 000's

Other equity-accounted investees	**2022**	2021
Total assets	286,223	269,790
Total liabilities	20,647	43,936
Total revenues	12,097	100,940
Total loss	(4,630)	(3,720)

11. CO-INVESTMENTS

US$ 000's

	31 December 2022	31 December 2021
At fair value through equity		
- Unquoted equity securities	131,553	164,547
At fair value through income statement		
- Unquoted equity securities	10,498	7,330
	142,051	171,877

US$ 000's

	2022	2021
At 1 January	171,877	126,319
Additions	58,751	57,620
Disposals	(92,195)	(12,062)
Fair value change	3,618	-
At 31 December 2022	**142,051**	171,877

12. RECEIVABLES AND OTHER ASSETS

US$ 000's

	31 December 2022	31 December 2021
Investment banking receivables	193,923	148,985
Receivable from equity-accounted investees	62,000	-
Financing to projects, net	26,744	42,383
Receivable on sale of development properties	16,341	59,914
Advances and deposits	61,613	58,222
Employee receivables	5,067	18,898
Profit on sukuk receivable	18,766	17,273
Lease rentals receivable	6,117	2,175
Prepayments and other receivables	208,614	199,274
Less: impairment allowance net (note 23)	(9,316)	(15,636)
	589,869	531,488

13. PROPERTY AND EQUIPMENT

US$ 000's

	31 December 2022	31 December 2021
Land	86,839	17,958
Buildings and other leased assets	80,709	31,323
Others including furniture, vehicles and equipment	65,188	90,406
	232,736	139,687

Depreciation on property and equipment during the year was US$ thousand 3,036 (2021: US$ 2,541 thousand).

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14. PLACEMENTS FROM NON-FINANCIAL INSITUTIONS AND INDIVIDUALS

These comprise placements in the form of murabaha and wakala contracts with financial, non-financial institutions, and individuals part of the Group's treasury activities. This includes US$ 84.3 mn (2021: US$ 84.3 mn) from a non-financial entity which is currently subject to regulatory sanctions.

15. TERM FINANCING

US$ 000's

	31 December 2022	31 December 2021
Murabaha financing	1,680,940	1,449,852
Sukuk	242,076	250,943
Ijarah financing	17,603	20,093
Other borrowings	1,579	29,779
	1,942,198	1,750,667

US$ 000's

	31 December 2022	31 December 2021
Current portion	987,320	1,275,981
Non-current portion	954,878	474,686
	1,942,198	1,750,667

Murabaha financing comprise:
Short-term and medium-term facilities of US$ 1,653,875 thousand (31 December 2021: US$ 1,417,800 thousand) are secured by quoted sukuk of US$ 2,506,041 thousand (31 December 2021: US$ 2,070,315 thousand) and structured notes of US$ 301,853 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 till date. The Group has repurchased cumulative sukuk of US$ 265,588 thousand. The outstanding sukuk also includes accrued profit of US$ 7,664 thousand.

16. OTHER LIABILITIES

US$ 000's

	31 December 2022	31 December 2021
Employee related accruals	15,544	18,089
Board member allowances and accruals	1,500	2,499
Unclaimed dividends	4,754	4,574
Mudaraba profit accrual	13,184	12,992
Provision for employees' leaving indemnities	4,125	3,155
Zakah and Charity fund	5,924	5,173
Advance received from customers *	6,648	70,051
Accounts payable	266,535	136,838
Other accrued expenses and payables	105,149	151,283
	423,363	404,654

** Represents amount received in advance from the customers on account of real estate assets to be delivered by the Group.*

17. EQUITY OF INVESTMENT ACCOUNT HOLDERS (EIAH)

US$ 000's

	31 December 2022	31 December 2021
Placements and borrowings from financial institutions – Wakala	25,458	231,722
Mudaraba	1,188,216	1,126,622
	1,213,674	1,358,344

The funds received from investment account holders have been commingled and jointly invested with the Group in the following asset classes as at 31 December:

US$ 000's

	31 December 2022	31 December 2021
Balances with banks	274,502	46,368
CBB reserve account	68,422	40,557
Placements with financial institutions	166,130	70,003
Debt type instruments – sukuk	456,310	456,310
Financing assets	248,310	745,106
	1,213,674	1,358,344

As at 31 December 2022, the balance of profit equalisation reserve and investment risk reserve was Nil (2021: Nil).

The Group does not allocate non-performing assets to IAH pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to IAH accountholders. Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. The Group did not charge any administration expenses to investment accounts.

Following is the average percentage for profit allocation between owner's equity and investment accountholders.

US$ 000's

	2022		2021	
	Mudarib share	IAH shares	Mudarib share	IAH shares
1 month Mudharaba *	65.01%	34.99%	82.97%	17.03%
3 months Mudharaba	52.56%	47.44%	63.20%	36.80%
6 months Mudharaba	52.53%	47.47%	58.49%	41.51%
12 months Mudharaba	42.04%	57.96%	51.13%	48.87%
18 months Mudharaba	53.58%	46.42%	46.85%	53.15%
24 months Mudharaba	24.67%	75.33%	53.01%	46.99%
36 months Mudharaba	38.08%	61.92%	43.31%	56.69%

** Includes savings, Al Waffer and Call Mudaraba accounts.*

The investors' share of the return on jointly invested assets and distribution to investment account holders were as follows:

US$ 000's

	2022	2021
Returns from jointly invested assets	(85,200)	(65,862)
Banks share as Mudarib	47,149	34,152
Return to investment account holders	**(38,051)**	(31,710)

The above returns as the Mudarib are forming part of Income from commercial banking in the statement of income. During the year, average mudarib share as a percentage of total income allocated to IAH was 45.06% (2021: 53.73%) as against the average mudarib share contractually agreed with IAH. Hence the Group sacrificed average mudarib fees of 23.50% (2021: 9.97%).

In addition to the Murabaha allocation, the Groups also provides wakala services to the investors wherein the Group's has generated a total returns from the jointly invested assets of USD 25,304 mn (2021: USD 15,372 mn) which is forming part of the Income from the treasury operations and the income from the proprietary and co-investments in the statement of income. The returns to investment account holders are USD 21,027 mn (2021: USD 10,145 mn) which are included with the finance expenses in the statement of income. The difference between the returns from the invested assets and the returns to the investment account holder of USD 4,276 mn (2021: USD 4,227 mn) is the Group's share of return in its capacity of the wakil.

The Group does not share profits resulting from the assets funded through current accounts and other funds received on the basis other than mudarba contract and wakala contract.

The funds raised from IAH are deployed in the assets on a priority basis after setting aside certain amount in cash and placement with Banks for liquidity management purposes.

18. SHARE CAPITAL

US$ 000's

	31 December 2022	31 December 2021
9,433,962,264 shares of US$ 0.265 each (2021: 9,433,962,264 shares of US$ 0.265 each)	2,500,000	2,500,000
Issued and fully paid up:		
3,832,593,838 shares of US$ 0.265 each (2021: 3,775,990,064 shares of US$ 0.265 each)	**1,015,637**	1,000,637

The movement in the share capital during the year is as follows:

US$ 000's

	2022	2021
At 1 January	1,000,637	975,637
Issue of bonus shares	15,000	25,000
At 31 December	**1,015,637**	1,000,637

As at 31 December 2022, the Bank held 341,150,768 (31 December 2021: 213,806,890) of treasury shares. Furthermore, the bank had vested shares of 106,641,881 for US$ 29,958,453 (2021: 11,963,207).

Additional information on shareholding pattern

(i) The Bank has only one class of equity shares and the holders of these shares have equal voting rights.
(ii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

US$ 000's

31 December 2022 Categories*	Number of shares	Number of Shareholders	% of total outstanding shares
Less than 1%	2,260,705,577	8,304	58.98%
1% up to less than 5%	1,023,998,191	14	26.72%
5% to less than 10%	547,890,070	2	14.3%
Total	**3,832,593,838**	**8,320**	100%

18. SHARE CAPITAL (contd.)

Additional information on shareholding pattern (contd.)

US$ 000's

31 December 2021 Categories*	Number of shares	Number of Shareholders	% of total outstanding shares
Less than 1%	2,271,927,550	8,142	60%
1% up to less than 5%	1,504,062,514	20	40%
Total	**3,775,990,064**	**8,162**	100%

** Expressed as a percentage of total outstanding shares of the Bank.*

Appropriations and changes in capital structure
Appropriations, if any, are made when approved by the shareholders.

Proposed appropriations
The Board of Directors proposes the following appropriations for 2022 subject to shareholders' and regulatory approval:
- Cash dividend of 6.0% of the paid-up share capital net of treasury shares;
- To allocate an amount of US $ 1,000,000 to civil society organizations;
- Transfer of US$ 9,025,300 to statutory reserve; and,
- Board remuneration of US$ 1,200,000.

19. SHARE GRANT RESERVE

The Bank operates a share-based incentive scheme for its employees (the "Scheme") whereby employee are granted the Bank's shares as compensation on achievement of certain non-market based performance conditions and service conditions (the 'vesting conditions'). The grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the share awards. During the year the Bank has recognized US$ 6,930 thousands.

20. OTHER INCOME

Other income includes write back of liabilities no longer required of US$ 10.31 mn (2021: US$ 24.3 mn) after settlement arrangements were concluded for some of the non-banking subsidiaries, recoveries of expenses from project companies of US$ Nil (2021: US$ 0.3 mn) and income of non-financial subsidiaries of US$ 9.6 mn (2021: US$ 26.0 mn).

21. STAFF COST

US$ 000's

	2022	2021
Salaries and benefits	60,232	55,924
Social insurance and end of service benefits	3,253	3,111
Share-based payments	6,930	4,196
	70,415	63,231

As per the Group's Variable Incentive Policy, a portion of the annual performance bonus is issued in the form of share awards to its senior management employees. These awards include deferred incentives in the form of shares, share purchase plans and long-term incentive plans with different conditions. The terms of the award, including the type of plan, extent of funding, pricing and deferral period is determined for each year by the Board Nomination, Remuneration and Governance Committee of the Bank.

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Performance year	Nature of award	Staff coverage	Summary of deferral and vesting conditions
2019 - 2022 * Awards	Employee Share Purchase Plan & Deferred Annual Bonus (DAB)	Covered persons in business and control functions who exceed total compensation thresholds as per CBB Remuneration Regulations and Bank's Variable Remuneration policy.	Shares are released rateably over the 3 year deferral period. The issue price is determined based on a defined adjustment to market price on the date of the award. No future performance conditions or service conditions associated with the DAB shares. DAB Shares are entitled for dividends, if any, but released over the deferral period.
2020 - 2022	Long term incentive plan (LTIP) share awards	Select Senior Management	Under the future performance awards structure of the Bank, an LTIP scheme was introduced where the employees are compensated in form of shares as a percentage on achievement of certain pre-determined performance conditions. The LTIP sets performance and service conditions and has a rateable vesting schedule over a period of six years. Accelerated vesting may occur on exceeding performance conditions leading to true up of share-based payment charges. The issue price is determined based on a defined adjustment to market price on the date of the award. The LTIP shares include leverage features and are entitled to dividends, if any, released along with the vested shares.

US$ 000's

	2022		2021	
	No. of Shares	USD 000's	No. of Shares	USD 000's
Opening balance	184,325,599	17,082	245,264,354	29,763
Awarded during the year	145,490,734	22,532	42,087,569	6,429
Bonus shares	4,461,209	-	6,249,484	-
Forfeiture and other adjustments	-	-	(1,369,114)	(9,426)
Transfer to employees / settlement	(130,770,332)	(10,957)	(107,906,694)	(9,684)
Closing balance	**203,507,210**	**28,657**	184,325,599	17,082

In case of the employee share purchase plans including LTIP, the USD amounts reported in the table above represents the gross vesting charge of the respective schemes as determined under IFRS 2 – Share-based payments at the date of the award and not the value of the shares. The release of these shares are subject to future retention, performance and service conditions. The number of shares included in the table above refer to the total employee participation in the various plans that remain unvested and undelivered as at the reporting date.

22. OTHER OPERATING EXPENSES

US$ 000's

	2022	2021
Investment advisory expenses	18,571	10,860
Rent	2,925	2,523
Professional and consultancy fees	13,213	10,211
Legal expenses	2,183	579
Depreciation	5,841	2,541
Expenses relating to non-banking subsidiaries	11,570	22,797
Other operating expenses	23,229	20,788
	77,532	70,299

23. IMPAIRMENT ALLOWANCES

US$ 000's

	2022	2021
Bank balances	(13)	8
Treasury portfolio	2,836	8,147
Financing assets (note 8)	6,935	16,376
Co-investments (note 11)	(82)	690
Other receivables (note 12)	(6,320)	11,428
Commitments and financial guarantees	(46)	(1,068)
	3,310	35,581

24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group. A significant portion of the Group's management fees are from entities over which the Group exercises influence (assets under management). Although these entities are considered related parties, the Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The transactions with these entities are based on agreed terms. The significant related party transactions during the year and balances as at year end included in these consolidated financial statements are as follows:

US$ 000's

2022	Related parties: Associates/ Joint venture	Key management personnel	Significant shareholders/ entities in which directors are interested	Assets under management including special purpose entities and other entities	Total
Assets					
Cash and bank balances	-	-	-	12,777	**12,777**
Treasury portfolio	-	-	-	70,656	**70,656**
Financing assets	-	8,411	38,181	18,201	**64,793**
Proprietary investment	836,251	-	6,058	-	**842,309**
Co investment	-	-	-	142,665	**142,665**
Receivables and other assets	62,045	5,326	721	198,231	**266,323**
Liabilities					
Current account	1,918	183	2,003	13,973	**18,077**
Placements from financial, non-financial institutions and individuals	-	3,379	22,697	24,077	**50,153**
Payables and accruals	36,009	1,565	-	139,529	**177,103**
Equity of investment account holders	**3,239**	**2,875**	**33,328**	**148,114**	**187,556**
Income					
Income from investment banking	-	-	-	124,244	**124,244**
Income from commercial banking					
- Income from financing	-	525	1,263	-	**1,788**
- Fee and other income	-	-	-	-	**-**
- Less: Return to investment account holders	27	101	8,631	11	**8,770**
- Less: Finance expense	-	-	-	-	**-**
Income from proprietary and co-investments	27,246	-	1,932	25,154	**54,332**
Treasury and other income	8	-	-	797	**805**
Expenses					
Operating expenses					
Staff Cost	-	(8,116)*	-	-	**(8,116)**
Finance Cost	-	(6)	(3,989)	-	**(3,995)**

** The amount presented excluded bonus to key management personnel for 2022 as allocation has not been finalized at the date of approval of these consolidated financial statements.*

US$ 000's

2021	Related parties: Associates/ Joint venture	Key management personnel	Significant shareholders/ entities in which directors are interested	Assets under management including special purpose entities and other entities	Total
Assets					
Cash and bank balances	-	-	-	15,196	15,196
Treasury portfolio	-	-	37,148	-	37,148
Financing assets	-	7,817	33,407	16,482	57,706
Proprietary investment	114,387	-	20,328	48,011	182,726
Co investment	-	-	-	76,794	76,794
Receivables and other assets	8,060	623	300	171,559	180,542
Liabilities					
Current account	326	902	592	15,427	17,247
Placements from financial, non-financial institutions and individuals	-	4,430	-	-	4,430
Payables and accruals	-	2,688	1,528	33,678	37,894
Equity of investment account holders	1,088	355	54,276	772	56,491
Income					
Income from investment banking	-	-	-	119,389	119,389
Income from commercial banking					
- Income from financing	-	310	2,332	-	2,642
- Fee and other income	(3,005)	-	-	698	(2,307)
- Less: Return to investment account holders	24	3	5,111	13	5,151
- Less: Finance expense	-	50	-	-	50
Income from proprietary and co-investments	4	120	8,017	19,727	27,868
Treasury and other income	-	-	(440)	1,742	1,302
Expenses					
Operating expenses					
- Staff Cost	-	(5,671)	-	-	(5,671)
- Finance Expenses	-	(1,676)	-	-	(1,676)

24. RELATED PARTY TRANSACTIONS (contd.)

Key management personnel
Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group and its significant banking subsidiary.

During the year, there were no direct participation of directors in investments promoted by the Group.

The key management personnel compensation is as follows:

US$ 000's

	2022	2021
Board members' remuneration, fees and allowance	2,981	2,455
Salaries, other short-term benefits and expenses	15,203	14,862
Post-employment benefits	289	275

25. ASSETS UNDER MANAGEMENT AND CUSTODIAL ASSETS

i. 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$ 7,845 mn (31 December 2021: US$ 5,297 mn). During the year, the Group had charged management fees and performance fee amounting to US$ 33,536 thousand (31 December 2021: US$ 8,083 thousand).

ii. Custodial assets comprise assets of the discretionary portfolio management ('DPM') accounts amounting to US$ 663,201 thousand, of which US$ 639,124 thousand related to the Bank's investment products.

26. EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of equity shares outstanding during the year.

The weighted average number of ordinary equity shares for the comparative periods presented are adjusted for the issue of shares during the year without corresponding change in resources.

US$ 000's

	2022	2021
In thousands of shares		
Weighted average number of shares for basic and diluted earnings	**3,426,503**	3,412,835

Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are considered to be dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase the loss per share.

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27. ZAKAH AND SOCIAL RESPONSIBILITY

Zakah is directly borne by the shareholders on distributed profits and investors in restricted investment accounts. The Bank does not collect or pay Zakah on behalf of its shareholders and investors in restricted investment accounts. Zakah payable by the shareholders is computed by the Bank on the basis of the method prescribed (net assets method) by the Bank's Shari'a Supervisory Board and notified to shareholders annually. The current year calculations for zakah are yet to be approved by the Group's Shari'a Supervisory Board and will be provided for in the Bank's website.

The Group discharges its social responsibilities through donations to charitable causes and social organisations.

28. EARNINGS PROHIBITED BY SHARI'A

The Group is committed to avoid recognising any income generated from non-sharia sources. Accordingly, all non-sharia income is credited to a charity account where the Group uses these funds for charitable means. Movements in non-sharia funds are shown in the statement of sources and uses of charity funds. The Group receives interest from deposits placed with the CBB and other incidental or required deposits. These earnings are utilised exclusively for charitable purposes and amount to US$ 88 thousand (2021: US$ 31 thousand).

29. SHARI'A SUPERVISORY BOARD

The Group's Shari'a Supervisory Board comprise four Islamic scholars who review the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

30. MATURITY PROFILE

The table below shows the maturity profile of the Group's assets and unrecognised commitments on the basis of their contractual maturity. Where such contractual maturity is not available, the Group has considered expected realisation / settlement profile for assets and liabilities respectively. For undiscounted contractual maturity of financial liabilities, refer note 36.

US$ 000's

31 December 2022	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	826,393	7,374	13,552	10,920	-	858,239
Treasury portfolio	1,291,520	249,557	447,769	417,228	1,803,946	4,210,020
Financing assets	156,765	56,091	164,272	291,676	766,434	1,435,238
Real estate investment	-	-	-	-	1,287,085	1,287,085
Proprietary investments	-	-	-	927,704	77,349	1,005,053
Co-investments	-	1,852	-	140,199	-	142,051
Receivables and prepayments	213,908	105,435	56,540	50,526	163,460	589,869
Property and equipment	-	-	-	-	232,736	232,736
Total assets	**2,488,586**	**420,309**	**682,133**	**1,838,253**	**4,331,010**	**9,760,291**
Liabilities						
Client's funds	87,488	-	35,812	-	-	123,300
Placements from financial institutions	2,361,964	516,253	639,419	210,554	62,680	3,790,870
Placements from non-financial institutions and individuals	159,739	121,865	251,034	423,025	108,595	1,064,258
Current account	5,497	16,623	-	54,557	54,557	131,234
Term financing	519,046	192,074	276,200	649,172	305,706	1,942,198
Payables and accruals	227,764	116,763	36,390	42,446	-	423,363
Total liabilities	**3,361,498**	**963,578**	**1,238,855**	**1,379,754**	**531,538**	**7,475,223**
Equity of investment account holders	**99,588**	**35,406**	**86,546**	**288,470**	**703,664**	**1,213,674**
Off-balance sheet items Commitments	56,565	4,098	48,923	95,664	234	**205,484**
Restricted investment accounts	-	-	-	4,162	-	**4,162**

US$ 000's

31 December 2021	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	704,672	6,772	9,650	1,377	-	722,471
Treasury portfolio	1,067,797	91,561	31,243	454,734	1,485,911	3,131,246
Financing assets	308,830	64,197	95,926	418,316	423,733	1,311,002
Real estate investment	-	-	-	937,463	968,135	1,905,598
Proprietary investments	-	-	53,806	20,434	96,077	170,317
Co-investments	-	2,676	23,607	139,535	6,059	171,877
Receivables and prepayments	149,490	14,283	109,058	214,392	44,265	531,488
Property and equipment	-	-	-	-	139,687	139,687
Total assets	2,230,789	179,489	323,290	2,186,251	3,163,867	8,083,686
Liabilities						
Client's funds	152,925	-	63,837	-	-	216,762
Placements from financial institutions	1,158,602	591,674	415,501	18,814	93,889	2,278,480
Placements from non-financial institutions and individuals	208,648	143,993	237,520	171,883	11,568	773,612
Current account	35,801	13,666	14,841	16,958	51,780	133,046
Term financing	578,012	185,494	512,475	84,031	390,655	1,750,667
Payables and accruals	96,565	22,225	229,286	56,578	-	404,654
Total liabilities	2,230,553	957,052	1,473,460	348,264	547,892	5,557,221
Equity of investment account holders	237,280	269,297	377,042	235,597	239,128	1,358,344
Off-balance sheet items Commitments	114	3,308	17,268	118,611	16,127	155,428
Restricted investment accounts	-	-	-	4,162	-	4,162

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31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OwF INVESTMENT ACCOUNT HOLDERS

(a) Industry sector

US$ 000's

31 December 2022	Banks and financial institutions	Real Estate	Others	Total
Assets				
Cash and bank balances	845,828	11,596	815	858,239
Treasury portfolio	3,134,903	73,182	1,001,935	4,210,020
Financing Assets	107,608	561,420	766,210	1,435,238
Real estate investments	-	1,287,085	-	1,287,085
Proprietary investment	757,834	229,337	17,882	1,005,053
Co-investment	130,833	11,218	-	142,051
Receivables and prepayments	139,696	97,951	352,222	589,869
Property and equipment	2,189	37,165	193,382	232,736
Total assets	**5,118,891**	**2,308,954**	**2,332,446**	**9,760,291**
Liabilities				
Client's funds	119,375	-	3,925	123,300
Placements from financial institutions	3,790,870	-	-	3,790,870
Placements from non-financial institutions and individuals	9,821	1,477	1,052,960	1,064,258
Customer accounts	4,138	18,735	108,361	131,234
Term financing	1,926,760	15,438	-	1,942,198
Payables and accruals	240,730	50,054	132,579	423,363
Total liabilities	**6,091,694**	**85,704**	**1,297,825**	**7,475,223**
Equity of Investment account holders	**272,093**	**51,262**	**890,319**	**1,213,674**
Off-balance sheet items				
Commitments	-	117,301	88,183	**205,484**
Restricted investment accounts	-	4,162	-	**4,162**
Notional amount of Derivative	58,500	-	-	**58,500**

US$ 000's

31 December 2021	Banks and financial institutions	Real Estate	Others	Total
Assets				
Cash and bank balances	709,908	5,691	6,872	722,471
Treasury portfolio	2,265,505	6,012	859,729	3,131,246
Financing Assets	124,783	499,559	686,660	1,311,002
Real estate investments	662,501	1,212,772	30,325	1,905,598
Proprietary investment	-	123,459	46,858	170,317
Co-investment	-	153,270	18,607	171,877
Receivables and prepayments	444,477	7,245	79,766	531,488
Property and equipment	5,770	23,492	110,425	139,687
Total assets	4,212,944	2,031,500	1,839,242	8,083,686
Liabilities				
Client's funds	212,789	-	3,973	216,762
Placements from financial institutions	2,278,480	-	-	2,278,480
Placements non-financial institutions and individuals	7,163	790	765,659	773,612
Customer accounts	779	13,610	118,657	133,046
Term financing	1,706,299	19,919	24,449	1,750,667
Payables and accruals	135,118	138,440	131,096	404,654
Total liabilities	4,340,628	172,759	1,043,834	5,557,221
Equity of Investment account holders	220,935	60,469	1,076,940	1,358,344
Off-balance sheet items				
Commitments	-	68,701	86,727	155,428
Restricted investment accounts	-	1,331	2,831	4,162

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OwF INVESTMENT ACCOUNT HOLDERS (contd.)

(b) Geographic region

US$ 000's

31 December 2022	GCC Countries	MENA	Asia	North America	Others	Total
Assets						
Cash and bank balances	691,915	361	40	74,484	91,439	858,239
Treasury portfolio	3,318,666	135,813	-	108,785	646,756	4,210,020
Financing assets	1,379,761	39,526	-	12	15,939	1,435,238
Real estate investment	1,037,847	232,284	7,609	-	9,345	1,287,085
Proprietary investment	993,219	-	-	-	11,834	1,005,053
Co-investments	46,780	-	505	93,028	1,738	142,051
Receivables and prepayments	550,502	22,387	3,477	9,873	3,630	589,869
Property and equipment	224,358	-	-	8,244	134	232,736
Total assets	**8,243,048**	**430,371**	**11,631**	**294,426**	**780,815**	**9,760,291**
Liabilities						
Client's funds	119,375	-	-	-	3,925	123,300
Placements from financial,	3,790,870	-	-	-	-	3,790,870
Placements non-financial institutions and individuals	903,367	160,666	-	225	-	1,064,258
Customer accounts	131,019	-	215	-	-	131,234
Financing liabilities	773,566	-	-	447,647	720,985	1,942,198
Payables and accruals	257,100	6,010	-	141,637	18,616	423,363
Total liabilities	**5,975,297**	**166,676**	**215**	**589,509**	**743,526**	**7,475,223**
Equity of investment account holders	**1,191,653**	**-**	**21,910**	**-**	**111**	**1,213,674**
Off-balance sheet items						
Commitments	142,992	-	-	62,492	-	205,484
Restricted investment accounts	4,022	-	-	140	-	4,162
Notional amount of Derivative	-	-	-	58,500	-	58,500

Concentration by location for assets is measured based on the location of the underlying operating assets, and not based on the location of the investment (which is generally based in tax efficient jurisdictions).

US$ 000's

31 December 2021	GCC Countries	MENA	Asia	North America	Others	Total
Assets						
Cash and bank balances	577,879	2,097	1,097	67,254	74,144	722,471
Treasury portfolio	2,583,409	95,093	100,244	61,575	290,925	3,131,246
Financing assets	1,295,063	-	-	-	15,939	1,311,002
Real estate investment	1,076,694	489,903	329,444	-	9,557	1,905,598
Proprietary investment	116,509	-	-	-	53,808	170,317
Co-investments	52,459	-	72,235	44,701	2,482	171,877
Receivables and prepayments	496,230	10,440	11,589	8,072	5,157	531,488
Property and equipment	133,854	5,655	-	-	178	139,687
Total assets	6,332,097	603,188	514,609	181,602	452,190	8,083,686
Liabilities						
Client's funds	212,789	-	-	-	3,973	216,762
Placements from financial institutions	2,278,480	-	-	-	-	2,278,480
Placements non-financial institutions and individuals	688,673	84,714	-	225	-	773,612
Customer accounts	136,274	(260)	(496)	-	(2,472)	133,046
Financing liabilities	732,099	-	-	374,028	644,540	1,750,667
Payables and accruals	233,933	69,064	68,577	30,871	2,209	404,654
Total liabilities	4,282,248	153,518	68,081	405,124	648,250	5,557,221
Equity of investment account holders	1,334,623	1,700	21,907	3	111	1,358,344
Off-balance sheet items						
Commitments	135,342	-	-	20,086	-	155,428
Restricted investment accounts	1,529	-	-	-	2,633	4,162

Concentration by location for assets is measured based on the location of the underlying operating assets, and not based on the location of the investment (which is generally based in tax efficient jurisdictions).

32. OPERATING SEGMENTS

The Group has three distinct operating segments, Real Estate Development, Investment Banking and Commercial Banking, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different strategies for management and resource allocation within the Group. For each of the strategic business units, the Group's Board of Directors (chief operating decision makers) review internal management reports on a quarterly basis.

The following summary describes the operations in each of the Group's operating reportable segments:

- **Investment Banking:** The Banking segment of the Group is focused on private equity and asset management domains. The private equity activities include acquisition of interests in unlisted or listed businesses at prices lower than anticipated values. The asset management unit is responsible for identifying and managing investments in yielding real estate in the target markets of the GCC. The investment banking activities focuses on providing structuring capabilities in Islamic asset-backed and equity capital markets, Islamic financial advisory and mid-sized mergers and acquisition transactions.

- **Commercial Banking:** These include commercial and corporate banking, retail banking, wealth management, structured investment products and project financing facilities of the Group's commercial banking subsidiary.

- **Proprietary and treasury -** All common costs and activities treasury and residual investment assets, excluding those that are carried independently by the reportable segments which are included within the respective segment, are considered as part of the proprietary and treasury activities of the Group.

The performance of each operating segment is measured based on segment results and are reviewed by the management committee and the Board of Directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing, if any is determined on an arm's length basis.

The Group classifies directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment expenses respectively. Indirect costs is allocated based on cost drivers/factors that can be identified with the segment and/ or the related activities. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures. The unallocated revenues, expenses, assets and liabilities related to entity-wide corporate activities and treasury activities at the Group level. Segment revenue and expenses were net-off inter segment revenue and expenses.

The Group has primary operations in Bahrain and the Group does not have any significant independent overseas branches/divisions in the banking business. The geographic concentration of assets and liabilities is disclosed in note 32 (b) to the consolidated financial statements.

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Information regarding the results of each reportable segment is included below:

US$ 000's

31 December 2022	**Investment banking**	**Commercial banking**	**Proprietary and Treasury**	**Total**
Segment revenue	120,503	78,972	242,195	**441,670**
Segment expenses (including impairment allowances)	(69,675)	(40,275)	(234,013)	**(343,963)**
Segment result	50,828	38,697	8,182	**97,707**
Segment assets	201,828	3,785,535	5,772,928	**9,760,291**
Segment liabilities	171,359	1,761,879	5,541,985	**7,475,223**
Equity of investment account holders	-	1,189,016	24,658	**1,213,674**
Other segment information				
Impairment allowance	-	4,770	(1,460)	**3,310**
Equity accounted investees	-	5,303	98,168	**103,471**
Commitments	55,485	142,992	7,007	**205,484**

US$ 000's

31 December 2021	Investment banking	Commercial banking	Proprietary and Treasury	Total
Segment revenue	110,387	71,825	216,536	398,748
Segment expenses (including impairment allowances)	(73,943)	(43,144)	(189,044)	(306,131)
Segment result	36,444	28,681	27,492	92,617
Segment assets	151,814	3,095,984	4,835,888	8,083,686
Segment liabilities	70,712	1,228,774	4,257,735	5,557,221
Equity of investment account holders	-	1,126,622	231,722	1,358,344
Other segment information				
Impairment allowance	15,260	12,693	7,628	35,581
Equity accounted investees	18,339	44,900	5,764	69,003
Commitments	-	135,342	20,086	155,428

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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.

As at 31 December 2022 and 31 December 2021, the fair value of bank balances, placements with financial institutions, other financial assets, investors' fund, placements from financial and other institutions and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using quoted market prices and internal valuation models.

The fair value of quoted Sukuk carried at amortised cost (net of impairment allowances) of USD 2,240,360 thousand (31 December 2021: USD 860,616 thousand) is USD 2,198,848 thousand as at 31 December 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 31 December 2022.

Fair value hierarchy

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

US$ 000's

31 December 2022	Level 1	Level 2	Level 3	Total
(i) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	9,480	-	-	9,480
- equity	836,251	-	55,893	892,144
	845,731	**-**	**55,893**	**901,624**
(ii) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	-	374,653	-	374,653
- equity	879,171	-	-	879,171
	879,171	**374,653**		**1,253,824**
iii) Co-investments				
Investment securities carried at fair value through equity	-	-	131,553	131,553
Investment securities carried at fair value through income statement	-	-	10,498	10,498
	-	**-**	**142,051**	**142,051**
	1,724,902	**374,653**	**197,944**	**2,297,499**

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US$ 000's

31 December 2021	Level 1	Level 2	Level 3	Total
(i) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	-	-	-	-
- equity	13	-	91,425	91,438
	13	-	91,425	91,438
(ii) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	-	445,183	-	445,183
- equity	1,656,088	-	-	1,656,088
	1,656,088	445,183	-	2,101,271
iii) Co-investments				
Investment securities carried at fair value through equity	-	-	164,547	164,547
Investment securities carried at fair value through income statement	-	-	7,330	7,330
	-	-	171,877	171,877
	1,656,101	445,183	263,302	2,364,586

The table below shows the reconciliation of movements in value of investments measured using Level 3 inputs:

US$ 000's

	2022	2021
At 1 January	263,302	390,567
Total gains / (losses) in income statement	-	(17,223)
Transfer from Level 2	-	(155,250)
Disposals at carrying value	(54,521)	(27,531)
Purchases	37,561	69,129
Fair value changes during the year	(48,398)	3,610
At 31 December	**197,944**	263,302

The potential effect of using reasonable possible alternative assumptions for fair valuing certain equity investments classified as level 3 are summarised below:

US$ 000's

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2022	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Price to book	5,609	+/- 5%	280 / (280)
Market multiples approach	Enterprise value to EBITDA	6,151	+/- 5%	308 / (308)
Market multiples approach	Capitalised Earnings Method	2,814	+/- 5%	141 / (141)
Market multiples approach	Comparable Companies trading Multiple and Discounted Cashflows	16,505	+/- 5%	825 / (825)
Discounted cash flow	Terminal growth rate	15,003	+/- 5%	750 / (750)
Discounted cash flow	Weighted average cost of capital	69,085	+/- 5%	3,454 / (3,454)
Adjusted Net Asset Value		82,777	+/- 5%	4,139 / (4,139)
		197,944		

34. COMMITMENTS AND CONTINGENCIES

The commitments contracted in the normal course of business of the Group are as follows:

US$ 000's

	31 December 2022	31 December 2021
Undrawn commitments to extend finance	100,422	95,347
Financial guarantees	49,044	39,995
Capital commitments for infrastructure development projects	55,485	16,171
Commitment to lend	533	3,915
	205,484	155,428

Performance obligations

During the ordinary course of business, the Group may enter into 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 as at 31 December 2022 due to the performance of any of its projects.

Litigations and claims

The Group has a number of 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 Bank also have been filed by former employees. 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. Appropriate provision have 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.

35. FINANCIAL RISK MANAGEMENT

Overview

Financial assets of the Group comprise bank balances, placements with financial and other institutions, investment securities and other receivable balances. Financial liabilities of the Group comprise investors' funds, placements from financial and other institutions, term financing and other payable balances. Accounting policies for financial assets and liabilities are set out in note 4.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The material subsidiaries consolidated in these financial statements have independent risk management frameworks which is monitored by the respective Board of Directors of the subsidiaries. Accordingly, such risk management policies, procedures and practices are not included in these consolidated financial statements.

Risk management framework

The key element of our risk management philosophy is for the Risk Management Department ('RMD') to provide independent monitoring and control while working closely with the business units which ultimately own the risks. The Head of Risk Management reports to the Board Audit and Risk Committee.

The Board of Directors has overall responsibility for establishing our risk culture and ensuring that an effective risk management framework is in place. The Board has delegated its authority to the Board Audit and Risk Committee (ARC), which is responsible for implementing risk management policies, guidelines and limits and ensuring that monitoring processes are in place. The RMD, together with the Internal Audit and Compliance Departments, provide independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors.

The RMD submits a quarterly Risk Overview Report along with a detailed Liquidity Risk Report to the Board of Directors. The Risk Overview Report describes the potential issues for a wide range of risk factors and classifies the risk factors from low to high. The Liquidity Risk Report measure the Group's liquidity risk profile against policy guidelines and regulatory benchmarks. An additional report is prepared by the respective investment units that give updated status and impairment assessment of each investment, a description of significant developments on projects or issues as well as an update on the strategy and exit plan for each project.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's, placements with financial institutions, financing assets and other receivables from project companies. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, sector risk and sector concentration risk, related party exposure, etc.). The uncertainties due to COVID-19 and resultant economic volatility has impacted the Group's financing operations.

The Group had updated its inputs and assumptions for computation of ECL (refer note 4 p).

Management of investment and credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Investment Committee (BIC). This committee establishes operating guidelines and reviews and endorses the Management Investment and Credit Committee recommendations for investment strategies, products and services. Its actions are in accordance with the investment policies adopted by the Board of Directors.

The RMD is responsible for oversight of the Group's credit risk, including:

- Ensuring that the Group has in place investment and credit policies, covering credit assessment, risk reporting, documentary and legal procedures, whilst the Compliance Department is responsible for ensuring compliance with regulatory and statutory requirements.
- Overseeing the establishment of the authorisation structure for the approval and renewal of investment and credit facilities. Authorisation limits are governed by the Board approved Delegated Authority Limits (DAL) Matrix.
- Reviewing and assessing credit risk. Risk Management department assesses all investment and credit exposures in excess of designated limits, prior to investments / facilities being committed. Renewals and reviews of investments / facilities are subject to the same review process.
- Ongoing review of credit exposures. The credit review of the commercial banking exposure is managed and governed by the Board of Directors of KHCB and is consistent with the practices appropriate for retail banks. The risk assessment approach is used by the Parent Bank in determining where impairment provisions may be required against specific investment / credit exposures at its board. The current risk assessment process classifies credit exposures into two broad categories "Unimpaired" and "Impaired", reflecting risk of default and the availability of collateral or other credit risk mitigation. Risk is assessed on an individual basis for each investment / receivable and is reviewed at least once a year. The Group does not perform a collective assessment of impairment for its credit exposures as the credit characteristics of each exposure is considered to be different. Risk profile of exposures are subject to regular reviews.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of investment / credit risk.

The Risk Management Department works alongside the Investment Department at all stages of the deal cycle, from pre-investment due diligence to exit, and provides an independent review of every transaction. A fair evaluation of investments takes place periodically with inputs from the Investment department. Quarterly updates of investments are presented to the Board of Directors or their respective committees. Regular audits of business units and Group credit processes are undertaken by Internal Audit.

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)

a) Credit risk (contd.)

Exposures subject to credit risk

US$ 000's

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Balances with banks and placements with financial institutions				
Grade 1 -6 Low-Fair Risk	1,587,198	361	-	1,587,559
	-	-	-	-
Gross carrying amount	1,587,198	361	-	1,587,559
Less expected credit losses	27	2	-	29
Net carrying amount	**1,587,171**	**359**	**-**	**1,587,530**
Financing facilities				
Grade 8 -10 Impaired	-	-	51,756	51,756
Past due but not impaired				
Grade 1-6 Low-Fair Risk	175,377	69,175	-	244,552
Grade 7 Watch list	-	25,316	-	25,316
Past due comprises:				
Up to 30 days	66,257	49,679	-	115,936
30-60 days	20,446	2,645	-	23,091
60-90 days	88,674	42,167	-	130,841
Neither past due nor impaired				
Grade 1-6 Low-Fair Risk	658,098	12,958	-	671,056
Grade 7 Watch list	213	6,851	-	7,064
Gross carrying amount	833,688	114,300	51,756	999,744
Less expected credit losses	15,842	10,155	25,663	51,660
Net carrying amount	**817,846**	**104,145**	**26,093**	**948,084**
Assets acquired for leasing				
Grade 8-10 impaired	-	-	17,809	17,809
Past due but not impaired				
Grade 1-6 Low-Fair Risk	78,790	4,236	-	83,026
Grade 7 Watch list	194	12,003	-	12,197
Past due comprises:				
Up to 30 days	39,854	738	-	40,592
30-60 days	5,206	5,785	-	10,991
60-90 days	33,926	9,716	-	43,642

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US$ 000's

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
Grade 1-6 Low-Fair Risk	344,899	26,435	-	371,334
Grade 7 Watch list	-	15,497	-	15,497
Gross carrying amount	423,885	58,171	17,809	499,865
Less expected credit losses	2,205	2,655	7,851	12,711
Net carrying amount	**421,680**	**55,516**	**9,958**	**487,154**
Investment in Sukuk				
Grade 8 -10 Impaired	-	-	3,496	3,496
Grade 1-6 Low-Fair Risk	2,930,803	156,004	-	3,086,807
Gross carrying amount	2,930,803	156,004	3,496	3,090,303
Less: expected credit losses	4,940	8,796	3,496	17,232
Net carrying amount	**2,925,863**	**147,208**	**-**	**3,073,071**
Commitments and financial guarantees				
Grade 8 -10 Impaired				
Grade 1-6 Low-Fair Risk	204,189	939	16	205,144
Grade 7 Watch list	-	342	-	342
Gross carrying amount (note 35)	204,189	1,281	16	205,486
Less: expected credit losses	-	3	-	3
Net carrying amount	**204,189**	**1,278**	**16**	**205,483**
Total net carrying amount	**5,956,746**	**308,508**	**36,067**	**6,301,321**

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Exposures subject to credit risk

US$ 000's

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Balances with banks and placements with financial institutions				
Grade 1 -6 Low-Fair Risk	902,427	-	-	902,427
Gross carrying amount	902,427	-	-	902,427
Less expected credit losses		-	-	-
Net carrying amount	902,427	-	-	902,427
Financing facilities				
Grade 8 -10 Impaired	-	-	97,592	97,592
Past due but not impaired				
Grade 1-6 Low-Fair Risk	16,618	19,313	-	35,931
Grade 7 Watch list	19	7,536	-	7,555
Past due comprises:				
Up to 30 days	15,311	26,491	-	41,802
30-60 days	281	-	-	281
60-90 days	1,045	358	-	1,403
Neither past due nor impaired				
Grade 1-6 Low-Fair Risk	686,667	66,544	-	753,211
Grade 7 Watch list	5,305	64,538	-	69,843
Gross carrying amount	708,609	157,931	97,592	964,132
Less expected credit losses	19,246	4,645	33,467	57,358
Net carrying amount	689,363	153,286	64,125	906,774
Assets acquired for leasing				
Grade 8-10 impaired	-	-	33,984	33,984
Past due but not impaired				
Grade 1-6 Low-Fair Risk	16,249	-	-	16,249
Grade 7 Watch list	732	745	-	1,477
Past due comprises:				
Up to 30 days	8,222	-	-	8,222
30-60 days	1,902	64	-	1,966
60-90 days	6,857	681	-	7,538

US$ 000's

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
Grade 1-6 Low-Fair Risk	273,124	65,268	-	338,392
Grade 7 Watch list	650	27,565	-	28,215
Gross carrying amount	290,755	93,578	33,984	418,317
Less expected credit losses	643	2,464	10,984	14,091
Net carrying amount	290,112	91,114	23,000	404,226
Investment in Sukuk				
Grade 8 -10 Impaired	-	-	3,496	3,496
Grade 1-6 Low-Fair Risk	2,449,638	67,011	-	2,516,649
Gross carrying amount	2,449,638	67,011	3,496	2,520,145
Less: expected credit losses	7,183	3,571	3,496	14,250
Net carrying amount	2,442,455	63,440	-	2,505,895
Commitments and financial guarantees				
Grade 8 -10 Impaired	-	-	16	16
Grade 1-6 Low-Fair Risk	138,887	16,501	-	155,388
Grade 7 Watch list	-	24	-	24
Gross carrying amount (note 35)	138,887	16,525	16	155,428
Less: expected credit losses	-	-	-	-
Net carrying amount	138,887	16,525	16	155,428
Total net carrying amount	3,773,881	171,079	23,016	3,967,976

Significant increase in credit risk

When determining whether the risk of default on an exposure subject to credit risk has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition, the following criteria are considered:

- Downgrade in risk rating according to the approved ECL policy;
- Facilities restructured during previous twelve months;
- Qualitative indicators; and
- Facilities overdue by 30 days as at the reporting date subject to rebuttal in deserving circumstances.

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Credit risk grades
The Group allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. Exposers are rated 1 to 10 with 1 to being good and 7 being watch list and 8, 9 and 10 default grades. The monitoring typically involves use of the following data.

Corporate exposures
- Information obtained during periodic review of customer files- e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Data from credit reference agencies. press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Retail exposures
- Internally collected data on customer behaviour -e.g. utilisation of credit card facilities
- Affordability metrics
- External data from credit reference agencies including industry-standard credit scores

All exposures
- Payment record this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark profit rates and oil price. For exposures to specific industries and/or regions. The analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly.
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Qualitative indicators, including different criteria used for different portfolios credit cards, commercial real estate etc.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. For the purpose of calculating ECL for the year ended 31 December 2021, the Bank has applied the backstop of 74 days as against 30 days, in line with the CBB concessionary measures.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Definition of default
The Group considers an exposure subject to credit risk to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material obligation to the Group; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligation.

In assessing whether the borrower is in default, the Group considers qualitative and quantitative indicators. The definition of default aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information. The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2022 included the key indicators for the selected countries such as the unemployment rates, profit rates and the GDP growth.

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Modified exposures subject to credit risk
The contractual terms of an exposure subject to credit risk may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates financing to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, forbearance of financing assets is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default (refer note 4). A customer needs to demonstrate consistently good payment behaviour over a period of time (12 months) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective profit rate of the exposure subject to credit risk.

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financing assets secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

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The following tables show reconciliations from the opening to the closing balance of the loss allowance: 12-month ECL, lifetime ECL and credit-impaired.

US$ 000's

2022	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total 2022
Balance at 1 January	27,656	10,632	63,297	101,585
Transfer to 12-month ECL	3,128	(2,056)	(1,072)	-
Transfer to lifetime ECL non-credit-impaired	6,417	1,738	(8,155)	-
Transfer to lifetime ECL credit-impaired	(149)	(34)	183	-
Write-off	-	-	(14,012)	(14,012)
Charge for the period	(3,809)	10,505	(3,386)	3,310
Balance at 31 December	**33,243**	**20,785**	**36,855**	**90,883**

Break down of ECL by category of assets in the consolidated statement of financial position and off-balance sheet commitments:

2022	11-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total 2022
Balances with banks	11	2		13
Treasury portfolio	5,482	8,796	2,684	16,962
Financing assets	18,130	11,911	34,332	64,373
Other financial receivables	9,240	76	-	9,316
Investment securities	42	-	-	42
Financing commitments and financial guarantees	338	-	(161)	177
Balance at 31 December 2022	**33,243**	**20,785**	**36,855**	**90,883**

2021	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total 2021
Balance at 1 January	22,344	6,271	42,200	70,815
Transfer to 12-month ECL	3,512	(1,772)	(1,740)	-
Transfer to lifetime ECL non-credit-impaired	(3,029)	3,928	(899)	-
Transfer to lifetime ECL credit-impaired	(435)	(512)	947	-
Write-off	-	-	(4,811)	(4,811)
Charge for the period	5,264	2,717	27,600	35,581
Balance at 31 December	27,656	10,632	63,297	101,585
Balances with banks	24	-	-	24
Treasury portfolio	7,232	3,523	3,496	14,251
Financing assets	19,886	7,109	44,454	71,449
Other financial receivables	305	-	15,329	15,634
Financing commitments and financial guarantees	209	-	18	227
Balance at 31 December	27,656	10,632	63,297	101,585

Break down of ECL by category of assets in the consolidated statement of financial position and off-balance sheet commitments:

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Renegotiated facilities
During the year, facilities of US$ 6,788 thousand (2021: US$ 50,942 thousand) were renegotiated, out of which US$ 2,440 thousand (2021: US$ 47,936 thousand) are classified as neither past due nor impaired as of 31 December 2022. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD. Of the total past due facilities of US$ 387,623 thousand (2021: US$ 108,488 thousand) only instalments of US$ 61,623 thousand (2021: US$ 48,560 thousand) are past due as at 31 December 2022.

Allowances for impairment
The Group makes provisions for impairment on individual assets classified under grades 8,9 and 10. This is done on the basis of the present value of projected future cash flows from the assets themselves and consideration of the value of the collateral securities available. On a collective basis, the Bank has provided for impairment losses based on management's judgment of the extent of losses incurred but not identified based on the current economic and credit conditions.

Non-accrual basis
The Group classifies financing facility/Sukuk as non-accrual status, if the facility/Sukuk is past due greater than 90 days or there is reasonable doubt about the collectability of the receivable amount. The profits on such facilities are not recognized in the income statement until there are repayments from the borrower or the exposure is upgraded to regular status.

Write-off policy
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. During the year, the Group has written off financing facilities amounting to US$ 14,012 thousand (2021: US$ 12 thousand) which were fully impaired. The Group has recovered US$ 4,796 thousand from a financing facility written off in previous years (2021: US$ 1,918 thousand).

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for the year ended 31 December 2022

Collaterals
The Group holds collateral against financing assets and receivables from assets acquired for leasing in the form of mortgage/ pledge over property, listed securities, other assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. Collateral generally is not held against exposure to other banks and financial institutions. An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below. This includes the value of financial guarantees from banks, but not corporate and personal guarantees as the values thereof are not readily quantifiable. The collateral values considered for disclosure are restricted to the extent of the outstanding exposures.

US$ 000's

	31 December 2022			31 December 2021		
	Financing assets	**Assets acquired for leasing (including lease rentals receivable)**	**Total**	Financing assets	Assets acquired for leasing (including lease rentals receivable)	Total
Against impaired						
Property	47,292	50,594	**97,886**	47,584	34,241	81,825
Other	5,987	-	**5,987**	3,249	-	3,249
Against past due but not impaired						
Property	81,939	37,589	**119,528**	65,342	65,605	130,947
Other	1,053	-	**1,053**	1,756	-	1,756
Against neither past due nor impaired						
Property	1,038,080	804,483	**1,842,563**	393,867	304,204	698,071
Other	117,048	-	**117,048**	48,475	-	48,475
Total	**1,291,399**	**892,666**	**2,184,065**	560,273	404,050	964,323

The average collateral coverage ratio on secured facilities is 149.71% as at 31 December 2022 (31 December 2021: 148.99%).

Concentration risk
The geographical and industry wise distribution of assets and liabilities are set out in notes 31 (a) and (b).
Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits.

An analysis of concentrations of credit risk of financing assets of the Group's business at the reporting date is shown below:

US$ 000's

	31 December 2022			31 December 2021		
Concentration by Sector	**Financing assets**	**Assets acquired for leasing**	**Total**	Financing assets	Assets acquired for leasing	Total
Banking and finance	9,247		**9,247**	12,156	-	12,156
Real estate	292,944	415,849	**708,793**	235,845	340,058	575,903
Construction	138,886	-	**138,886**	143,714	-	143,714
Trading	133,706	-	**133,706**	136,464	-	136,464
Manufacturing	144,143	-	**144,143**	35,923	-	35,923
Others	229,158	71,305	**300,463**	342,672	64,170	406,842
Total carrying amount	**948,084**	**487,154**	**1,435,238**	906,774	404,228	1,311,002

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
b) Liquidity risk
Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The CBB has announced various measures to combat the effects of COVID-19 and to ease liquidity in the banking sector including, concessionary repos at zero percent, reduction of cash reserve ratio from 5% to 3%; and reduction in LCR and NSFR ratio from 100% to 80%.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then aims to maintain a portfolio of short-term liquid assets, largely made up of short-term placements with financial and other institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity requirements of business units are met through treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board of Directors. Daily reports cover the liquidity position of the Bank and is circulated to Management Committee (MANCOM). Moreover, quarterly reports are submitted to the Board of Directors on the liquidity position by RMD.

The table below shows the undiscounted cash flows on the Group's financial liabilities, including issued financial guarantee contracts, and unrecognised financing commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group's expected cash flows on these instruments vary significantly from this analysis. Refer note 31 for the expected maturity profile of assets and liabilities.

US$ 000's

	Gross undiscounted cash flows						
31 December 2022	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Total**	**Carrying amount**
Financial liabilities							
Clients' funds	87,488	-	35,812	-	-	123,300	123,300
Placements from financial institutions	2,361,964	516,253	639,419	210,554	62,680	3,790,870	3,790,870
Placements from non-financial institutions and individuals	159,739	121,865	251,034	423,025	108,595	1,064,258	1,064,258
Current accounts	5,497	16,623	-	54,557	54,557	131,234	131,234
Term financing	519,046	192,074	276,200	649,172	305,706	1,942,198	1,942,198
Payables and accruals	227,764	116,763	36,390	42,446	-	423,363	423,363
Total liabilities	**3,361,498**	**963,578**	**1,238,855**	**1,379,754**	**531,538**	**7,475,223**	**7,475,223**
Equity of investment account holders	843,389	35,406	86,546	288,470	703,664	1,957,475	**1,213,674**
Commitment and contingencies	56,679	4,098	48,923	95,664	234	205,598	205,484

To manage the liquidity risk arising from financial liabilities, the Group aims to hold liquid assets comprising cash and cash equivalents, investment in managed funds and treasury shares for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Further, the Group is focussed on developing a pipeline of steady revenues and has undertaken cost reduction exercises that would improve its operating cash flows.

US$ 000's

	Gross undiscounted cash flows						
31 December 2021	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total	Carrying amount
Financial liabilities							
Clients' funds	152,925	-	63,837	-	-	216,762	216,762
Placements from financial institutions	1,158,602	591,674	415,501	18,814	93,889	2,278,480	2,278,480
Placements non-financial institutions and individuals	208,648	143,993	237,520	171,883	11,568	773,612	773,612
Current accounts	35,801	13,666	14,841	16,958	51,780	133,046	133,046
Term financing	578,012	185,494	512,475	84,031	390,655	1,750,667	1,750,667
Payables and accruals	96,562	22,225	229,286	56,581	-	404,654	404,654
Total liabilities	2,230,550	957,052	1,473,460	348,267	547,892	5,557,221	5,557,221
Equity of investment account holders	981,081	269,297	377,042	235,597	239,127	2,102,144	1,358,344
Commitment and contingencies	228	3,308	17,268	118,611	16,128	155,543	155,428

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
b) Liquidity risk
Measures of liquidity
Liquidity is managed at an entity level and is not a Group wide measure. The Bank follows certain internal measures of liquidity. These metrics are intended to better reflect the liquidity position from a cash flow perspective and provide a target for the Group. These are liquidity coverage ratio, net stable funding ratio and stock of liquid assets.

For this purpose, the liquidity coverage ratio is based on an internally defined management criteria which identifies the amount of liquid assets (including inter- bank placements) the Bank holds that can be used to offset the net cash outflows for 30, 60 and 90 days time horizon. The net stable funding ratio measures the amount of long-term, stable sources of funding employed by an institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Details of the ratio of liquid assets to total assets at the reporting date and during the year were as follows:

	Liquid asset / Total asset	
	2022	2021
At 31 December	51.93%	47.16%
Average for the year	48.04%	43.14%
Maximum for the year	51.93%	47.16%
Minimum for the year	45.65%	40.14%

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. Until 31 December 2021, the Bank is required to maintain LCR greater than 80%. As of 31 December 2022, the Bank had LCR ratio of 134%.

US$ 000's

	Average balance	
	31 December 2022	31 December 2021
Stock of HQLA	272,429	292,998
Net cashflows	213,055	148,599
LCR %	134%	221%
Minimum required by CBB	100%	80%

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 will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. 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". Until 31 December 2021, the Bank is required to maintain NSFR ratio greater than 80%. As of 31 December 2022, the Bank had NSFR ratio of 111%.

US$ 000's

Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
31 December 2022					
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,004,974	-	-	53,171	1,058,145
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	158,056	15,076	26,054	190,530
Less stable deposits	-	1,684,867	423,803	328,355	2,226,158
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other Wholesale funding	-	3,548,055	931,464	1,303,542	2,656,368
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	311,371	-	43,201	43,201
Total ASF	**-**	**-**	**-**	**-**	**5,403,007**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	1,761,766	-	-	-	87,048
Deposits held at other financial institutions for operational purposes					
Performing financing and sukuk/ securities:	-	1,576,916	-	790,425	908,398
Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	-	94,704	1,050,345	940,145
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	294,926	102,548	279,352	380,316
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	945,435	388,631	426,531	1,093,564
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	2,090,285	-	-	-	2,090,285
OBS items	-	-	-	-	43,344
Total RSF	-	2,817,278	585,882	2,546,653	5,543,102
NSFR(%)	-	-	-	-	111%

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
b) Liquidity risk (contd.)
Measures of liquidity (contd.)

US$ 000's

Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
31 December 2021					
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,070,314	-	-	49,953	1,120,267
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits		182,112	25,962	2,749	200,420
Less stable deposits	-	1,314,514	430,372	90,957	1,661,355
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other Wholesale funding	-	2,860,814	861,346	773,058	1,896,078
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	136,864	18,759	71,437	71,437
Total ASF	-	-	-	-	4,949,558
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	1,493,881	-	-	-	73,941
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/ securities:	-	636,283	-	720,739	708,071
Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	5,000	-	174,023	150,419
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
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
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
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	2,672,214	-	-	-	2,672,214
OBS items	-	-	-	-	27,946
Total RSF	-	1,577,524	726,232	1,391,778	4,888,886
NSFR(%)	-	-	-	-	101%

c) Market risks

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income, future cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

As a matter of general policy, the Group shall not assume trading positions on its assets and liabilities, and hence the entire balance sheet is a non-trading portfolio. All foreign exchange risk within the Group is transferred to Treasury. The Group seeks to manage currency risk by continually monitoring exchange rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. Overall authority for market risk is vested in the Board Audit and Risk Committee ('BARC'). RMD is responsible for the development of detailed risk management policies (subject to review and approval of the BARC).

Exposure to profit rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Majority of the Group's profit based asset and liabilities are short term in nature, except for certain long term liabilities which have been utilised to fund the Group's strategic investments in its associates.

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

US$ 000's

31 December 2022	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Total**
Assets						
Treasury portfolio	1,291,520	249,557	447,769	417,228	1,803,946	4,210,020
Financing assets	156,765	56,091	164,272	291,676	766,434	1,435,238
Total assets	**1,448,285**	**305,648**	**612,041**	**708,904**	**2,570,380**	**5,645,258**
Liabilities						
Client's fund	87,488	-	35,812	-	-	123,300
Placements from financial institutions	2,361,964	516,253	639,419	210,554	62,680	3,790,870
Placements from non-financial institutions and individuals	159,739	121,865	251,034	423,025	108,595	1,064,258
Term financing	519,046	192,074	276,200	649,172	305,706	1,942,198
Total liabilities	**3,128,237**	**830,192**	**1,202,465**	**1,282,751**	**476,981**	**6,920,626**
Equity of investment account holders	**99,588**	**35,406**	**86,546**	**288,470**	**703,664**	**1,213,674**
Profit rate sensitivity gap	**(1,779,540)**	**(559,950)**	**(676,970)**	**(862,317)**	**1,389,735**	**(2,489,042)**
31 December 2021						
Assets						
Treasury portfolio	1,067,800	91,561	31,243	454,734	1,485,908	3,131,246
Financing assets	308,832	64,197	95,926	418,316	423,731	1,311,002
Total assets	1,376,632	155,758	127,169	873,050	1,909,639	4,442,248
Liabilities						
Client's fund	152,925	-	63,837	-	-	216,762
Placements from financial institutions	1,158,602	591,674	415,501	18,814	93,889	2,278,480
Placements non-financial institutions and individuals	208,648	143,993	237,520	171,883	11,568	773,612
Term financing	578,012	185,494	512,475	84,031	390,655	1,750,667
Total liabilities	2,098,187	921,161	1,229,333	274,728	496,112	5,019,521
Equity of investment account holders	237,281	269,297	377,042	235,597	239,127	1,358,344
Profit rate sensitivity gap	(958,836)	(1,034,700)	(1,479,206)	362,725	1,174,400	(1,935,617)

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
c) Market risks (contd.)
Exposure to profit rate risk (contd.)
The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. An analysis of the Group's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

US$ 000's

100 bps parallel increase / (decrease	2022	2021
At 31 December	±24,890	±19,769
Average for the year	±20,580	±18,108
Maximum for the year	±24,890	±19,879
Minimum for the year	±16,532	±16,082

Overall, profit rate risk positions are managed by Treasury, which uses placements from / with financial institutions to manage the overall position arising from the Group's activities.

The effective average profit rates on the financial assets, liabilities and unrestricted investment accounts are as follows:

	2022	2021
Placements with financial institutions	3.46%	3.18%
Financing assets	6.89%	6.09%
Debt type investments Sukuk	6.18%	6.38%
Placements from financial institutions, other entities and individuals	4.53%	4.76%
Term financing	2.49%	2.55%
Equity of investment account holders	3.75%	2.56%

Exposure to foreign exchange risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Groups major exposure is in GCC currencies, which are primarily pegged to the US Dollar. The Group had the following significant net exposures denominated in foreign currency as of 31 December from its financial instruments:

US$ 000's Equivalent

	2022	2021
Sterling Pounds	5,720	1,895
Euro	9,569	(2,619)
Australian Dollars	11,963	13,528
Kuwaiti Dinar	7,922	39,793
Other GCC Currencies (*)	(3,510,244)	(1,376,341)

(*) These currencies are pegged to the US Dollar.

The management of foreign exchange risk against net exposure limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various foreign exchange scenarios. Standard scenarios that are considered include a 5% plus / minus increase in exchange rates, other than GCC pegged currencies. An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables, primarily profit rates, remain constant) is as follows:

US$ 000's Equivalent

	2022	2021
Sterling Pounds	±286	±95
Euros	±478	± 131
Australian dollar	±598	±676
Kuwaiti dinar	±396	±1,990
Structural positions of foreign operation		
Moroccan Dirham	-	±7,891
Tunisian Dinar	-	±15,238
Indian rupee	-	±13,635

Exposure to other market risks
Equity price risk on quoted investments is subject to regular monitoring by the Group. The price risk on managed funds is monitored using specified limits (stop loss limit, stop loss trigger and overall stop loss limit cap) set within the portfolio management contract for fund managers. The Group's equity type instruments carried at cost are exposed to risk of changes in equity values.

The significant estimates and judgements in relation to impairment assessment of fair value through equity investments carried at cost are included in note 5b(ii). The Group manages exposure to other price risks by actively monitoring the performance of the equity securities.

d) Operational risk
Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department facilitates the management of Operational Risk by way of assisting in the identification of, monitoring and managing of operational risk in the Group.

In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, digital modes of payment and settlement, customer acquisition and executing contracts and carrying out transactions with and on behalf of the customers. The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted. The operational risk department has carried out a review of the existing control environment and has considered whether to update the risk registers by identifying potential loss events based on their review of the business processes in the current environment.

During 2022, the Group did not have any significant issues relating to operational risks.

36. CAPITAL MANAGEMENT

The Group's regulator Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The total regulatory capital base is net of prudential deductions for large exposures based on specific limits agreed with the regulator. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Group does not have a trading book.

The Group aims to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The CBB sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. Capital adequacy regulations of CBB is based on the principles of Basel III and the IFSB guidelines.

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital: includes CET1 and AT1.
CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

AT1 comprise of instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of the Bank held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

Tier 2 capital
This includes instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital, stock surplus resulting from issue of Tier 2 capital, instruments issued by consolidated banking subsidiaries of the Bank held by third parties that meet the criteria for inclusion in Tier 2, general provisions held against unidentified losses on financing and qualify for inclusion within Tier 2, asset revaluation reserve from revaluation of fixed assets and instruments purposes and regulatory adjustments applied in the calculation of Tier 2 capital.

The regulatory adjustments are subject to limits prescribed by the CBB requirements, these deductions would be effective in a phased manner through transitional arrangements from 2015 to 2018. The regulations prescribe higher risk weights for certain exposures that exceeds materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of Banking and financial entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.
Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

To combined the effect of COVID-19, the CBB has allowed the aggregate of modification loss and incremental ECL provision for stage 1 and stage 2 for the period from March to December 2020 to be added back to Tier 1 capital for the two years ending 31 December 2020 and 31 December 2021 and to deduct this amount proportionately from Tier 1 capital on an annual basis for three years ended 31 December 2022, and ending 31 December 2023 and 31 December 2024.

Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2022

The Bank's regulatory capital position was as follows:

US$ 000's

	31 December 2022	31 December 2021
CET 1 Capital before regulatory adjustments	1,020,249	1,063,515
Less: regulatory adjustments	-	-
CET 1 Capital after regulatory adjustments	1,020,249	1,063,515
T 2 Capital adjustments	52,628	53,374
Regulatory Capital	**1,072,877**	1,116,889
Risk weighted exposure:		
Credit Risk Weighted Assets	6,799,081	7,574,496
Market Risk Weighted Assets	54,624	38,325
Operational Risk Weighted Assets	431,784	655,034
Total Regulatory Risk Weighted Assets	**7,285,489**	8,267,855
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	**7,285,484**	8,267,850
Capital Adequacy Ratio	**14.73%**	13.51%
Tier 1 Capital Adequacy Ratio	**14.00%**	12.86%
Minimum required by CBB	12.50%	12.50%

The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Group's capital management policy seeks to maximise return on risk adjusted capital while satisfying all the regulatory requirements. The Group's policy on capital allocation is subject to regular review by the Board of Directors. The Group has complied with the externally imposed capital requirements set by the regulator for its consolidated capital adequacy ratio throughout the year.

37. 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 wase capitalized with US$1.1 bn 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, to Infracorp for an in-kind consideration financed by US$ 200 mn of equity shares and US$ 900 mn 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 Group 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 Group as at 31 December 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:

US$ 000's

	31 December 2022
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 equipment	81,201
Total	**1,373,794**
LIABILITIES	
Term financing	24,467
Payables and accruals	107,610
Total	132,499
Non-controlling interest	141,717
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

US$ 000's

	31 December 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 Group that were carved-out under a new business model. Hence, the net assets transferred to Infracorp were not classified as discontinued operations other than as disclosed below in relation to its industrial operations.

A. Results of discontinued operation

US$ 000's

	31 December 2022 3 months	31 December 2021 12 months
Revenue	5,391	5,226
Expenses	5,347	5,305
Net profit	44	(79)

B. Cash flows used in discontinued operation

US$ 000's

	31 December 2022 3 months	31 December 2021 12 months
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)

38. ACQUISITION OF SUBSIDARIES

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
Big Sky Asset Management LLC	51%	United States	Real estate investment manager
Al Areen Hotels W.L.L.	100%	Kingdom of Bahrain	Hospitality Management

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.

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.

US$ 000's

	Total
Intangible asset	8,350
Tangible assets	153,519
Receivables	2,006
Cash and bank balances	2,093
Total assets	**165,968**
Accruals and other liabilities	30,942
Total liabilities	**30,942**
Total net identifiable assets and liabilities (A)	**135,026**
Consideration	134,205
Non-controlling interests recognised	821
Total consideration (B)	**135,026**
Goodwill / Bargain purchase (B-A)	**-**

Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2022

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

US$ 000's

	Total
Cash and bank balances acquired as part of business combination	2,006
Less: consideration	(134,205)
Net cash flows from acquisition of subsidiaries	**(132,199)**

The Group has also acquired assets under management of US$ 1,315,915 thousand along with the above acquisition. Income for the first nine months assuming the transaction was done at the beginning of the year would have been US$ 1,200 thousand.

39. COMPARATIVES

Certain prior year amounts have been regrouped to conform to the current year's presentation. Such regrouping did not affect previously reported profit for the year or total owners' equity.