

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 September 2023

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

GFH FINANCIAL GROUP BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2023

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

To the Board of Directors

GFH Financial Group BSC

Manama, Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 September 2023 condensed consolidated interim financial information of GFH Financial Group BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2023;
- the condensed consolidated income statement for the three month and nine-month periods ended 30 September 2023;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2023;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2023;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2023;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2023; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

13 November 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

US\$ 000's

	Note	30 September 2023 (reviewed)	31 December 2022 (audited)	30 September 2022 (reviewed)
ASSETS				
Cash and bank balances		446,249	858,239	550,978
Treasury portfolio	8	4,970,142	4,210,020	3,787,981
Financing assets	9	1,558,802	1,435,238	1,473,711
Investment in real estate	10	1,333,373	1,287,085	1,270,291
Proprietary investments	11	1,018,033	1,005,053	1,069,453
Co-investments	12	182,134	142,051	135,334
Receivables and other assets	13	817,497	589,869	651,276
Property and equipment		215,832	232,736	65,328
Total assets		10,542,062	9,760,291	9,004,352
LIABILITIES				
Clients' funds		106,631	123,300	84,010
Placements from financial institutions		2,542,008	3,790,870	3,308,320
Placements from non-financial institutions and individuals		1,112,894	1,064,258	846,353
Customer current accounts		158,161	131,234	157,589
Term financing	14	1,847,528	1,942,198	1,957,119
Other liabilities	15	596,089	423,363	539,479
Total liabilities		6,363,311	7,475,223	6,892,870
Equity of investment account holders	16	3,100,537	1,213,674	1,090,593
OWNERS' EQUITY				
Share capital		1,015,637	1,015,637	1,015,637
Treasury shares		(124,672)	(105,598)	(99,787)
Statutory reserve		36,995	36,995	27,970
Investment fair value reserve		(56,885)	(53,195)	(75,070)
Retained earnings		115,165	95,831	86,661
Share grant reserve		7,930	6,930	-
Total equity attributable to shareholders of the Bank		994,170	996,600	955,411
Non-controlling interests		84,044	74,794	65,478
Total owners' equity		1,078,214	1,071,394	1,020,889
Total liabilities, equity of investment account holders and owners' equity		10,542,062	9,760,291	9,004,352

The Board of Directors approved the condensed consolidated interim financial information on 13 November 2023 and signed on its behalf by:



Ghazi Faisal Ebrahim Alhajeri
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

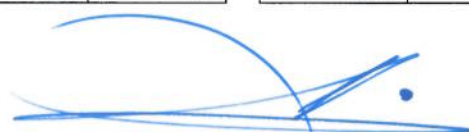
CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2023

US\$ 000's

	Note	Nine months ended		Three months ended	
		30 September 2023 (reviewed)	30 September 2022 (reviewed)	30 September 2023 (reviewed)	30 September 2022 (reviewed)
Investment banking					
Deal related income		151,564	67,838	70,674	26,324
Asset management		14,706	5,885	5,079	2,301
		166,270	73,723	75,753	28,625
Commercial banking					
Income from financing		81,913	68,435	28,209	25,460
Treasury and investment income		69,892	43,953	24,428	17,336
Fee and other income		18,597	2,979	3,968	1,019
Less: Return to investment account holders		(42,054)	(28,626)	(14,669)	(9,988)
Less: Finance expense		(80,290)	(28,285)	(35,120)	(12,230)
		48,058	58,456	6,816	21,597
Treasury and Proprietary Investments					
Finance and treasury portfolio income, net		163,552	72,075	41,562	22,283
Direct investment income, net		7,793	3,451	3,641	204
Income from co-investments, net		7,330	11,557	764	2,429
Share of profit from equity-accounted investees		22,401	19,281	5,157	8,781
Income from sale of assets		6,512	12,643	799	10,711
Leasing and operating income		13,274	13,859	4,397	6,594
Other income, net		8,346	13,495	6,006	3,602
Finance expenses - Repo and FI		(182,243)	(90,510)	(57,368)	(38,930)
		46,965	55,851	4,958	15,674
Total income		261,293	188,030	87,527	65,896
Other operating expenses		120,063	83,971	41,797	24,406
Finance expense - Term financing and others		46,574	32,303	15,215	12,241
Impairment allowances	17	13,607	281	6,655	3,150
Total expenses		180,244	116,555	63,667	39,797
Profit for the period		81,049	71,475	23,860	26,099
Attributable to:					
Shareholders of the Bank		78,921	66,235	24,305	24,055
Non-controlling interests		2,128	5,240	(445)	2,044
		81,049	71,475	23,860	26,099
Earnings per share					
Basic and diluted earnings per share (US cents)	18	2.26	1.91	0.71	0.73



 Ghazi Faisal Ebrahim Alhajeri
 Chairman



 Hisham Alrayes
 Chief Executive Officer & Board member

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2023

US\$ 000's

	Attributable to shareholders of the Bank						Non-Controlling Interests (NCI)	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Retained earnings	Share grant reserve			Total
Balance at 1 January 2023	1,015,637	(105,598)	36,995	(53,195)	95,831	6,930	996,600	74,794	1,071,394
Profit for the period	-	-	-	-	78,921	-	78,921	2,128	81,049
Fair value changes during the period	-	-	-	(3,690)	-	-	(3,690)	(1,082)	(4,772)
Total recognised income and expense	-	-	-	(3,690)	78,921	-	75,231	1,046	76,277
Long Term Incentive Plan (LTIP)	-	-	-	-	-	1,000	1,000	-	1,000
Transfer to zakah and charity fund	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Dividends declared for 2022	-	-	-	-	(56,261)	-	(56,261)	-	(56,261)
Purchase of treasury shares	-	(48,548)	-	-	-	-	(48,548)	-	(48,548)
Sale of treasury shares	-	29,474	-	-	(2,326)	-	27,148	-	27,148
Additional NCI without a change in control	-	-	-	-	-	-	-	12,164	12,164
Loss of control	-	-	-	-	-	-	-	(3,960)	(3,960)
Balance at 30 September 2023	1,015,637	(124,672)	36,995	(56,885)	115,165	7,930	994,170	84,044	1,078,214

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2023 (continued)

US\$ 000's

	Attributable to shareholders of the Bank						Non-Controlling Interests (NCI)	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings			Total
Balance at 1 January 2022	1,000,637	(48,498)	27,970	(28,561)	(70,266)	81,811	963,093	205,027	1,168,120
Profit for the period	-	-	-	-	-	66,235	66,235	5,240	71,475
Transfer on reclassification from FVTE to amortised cost	-	-	-	41,320	-	-	41,320	-	41,320
Fair value changes during the period	-	-	-	(85,315)	-	-	(85,315)	(3,072)	(88,387)
Transfer to income statement on disposal of sukuk	-	-	-	(2,514)	-	-	(2,514)	-	(2,514)
Total recognised income and expense	-	-	-	(46,509)	-	66,235	19,726	2,168	21,894
Bonus shares issued	15,000	-	-	-	-	(15,000)	-	-	-
Dividend declared	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Purchase of treasury shares	-	(83,177)	-	-	-	-	(83,177)	-	(83,177)
Transfer to zakah and charity fund	-	-	-	-	-	(1,483)	(1,483)	-	(1,483)
Sale of treasury shares	-	31,888	-	-	-	98	31,986	-	31,986
Transferred to income statement on deconsolidation of subsidiaries	-	-	-	-	70,266	-	70,266	-	70,266
Adjusted on deconsolidation of subsidiaries	-	-	-	-	-	-	-	(142,080)	(142,080)
Additional NCI on acquisition of subsidiary	-	-	-	-	-	-	-	363	363
Balance at 30 September 2022	1,015,637	(99,787)	27,970	(75,070)	-	86,661	955,411	65,478	1,020,889

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2023

US\$ 000's

	30 September 2023 (reviewed)	30 September 2022 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	81,049	71,475
Adjustments for:		
Treasury and proprietary investments	(46,965)	(55,851)
Foreign exchange loss/ (gain)	(1,323)	(9,911)
Finance expense	46,574	32,303
Impairment allowances	13,607	281
Depreciation and amortisation	8,055	1,317
	100,997	39,614
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	(17,979)	(270,415)
Financing assets	(128,727)	(162,709)
Receivable and other assets	(184,971)	(297,776)
CBB Reserve and restricted bank balance	(7,311)	(10,876)
Clients' funds	(16,669)	(132,752)
Customer current accounts	26,927	24,543
Placements from financial, non-financial institutions and individuals	(1,200,226)	1,102,581
Equity of investment account holders	1,886,863	(267,751)
Other liabilities	87,380	99,160
Net cash from operating activities	546,284	123,619
INVESTING ACTIVITIES		
Payments for purchase of equipment	(4,570)	(443)
Purchase of proprietary investment securities, net	(41,453)	(44,662)
Purchase of treasury portfolio, net	5,908	(319,498)
Cash acquired on acquisition of subsidiary	1,346	1,353
Cash paid on acquisition of subsidiary	(7,000)	(9,205)
Proceeds from sale of real estate	11,404	-
Dividends received from proprietary investments and co-investments	49,207	26,817
Payment for purchase of real estate	(12,027)	(8,367)
Net cash from / (used in) investing activities	2,815	(354,005)
FINANCING ACTIVITIES		
Financing liabilities, net	(89,603)	244,577
Purchase of GFH sukuk, net	(21)	(8,135)
Finance expense paid	(315,439)	(134,724)
Dividends paid	(58,400)	(44,651)
Purchase of treasury shares, net	(17,695)	(51,287)
Net cash (used in) / from financing activities	(481,158)	5,780
Net increase / (decrease) in cash and cash equivalents during the period	67,941	(224,606)
Cash and cash equivalents at 1 January	1,041,064	844,344
Cash and cash equivalents at 30 September *	1,109,005	619,738
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB reserve balance and restricted cash)	369,548	482,020
Placements with financial institutions (original maturities of 3 months or less)	739,457	137,718
	1,109,005	619,738

* net of expected credit loss of US\$ 18 thousands (30 September 2022: US\$ 10 thousands).

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2023

30 September 2023 (reviewed)

Company	Balance at 1 January 2023			Movements during the period						Balance at 30 September 2023		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
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	-	(74)	-	-	-	-	1,219	2.65	3,230
Shaden Real Estate Investment WLL (RIA 5)	269	2.65	713	-	119	-	-	-	-	314	2.65	832
			4,162	-	45	-	-	-	-			4,206

30 September 2022 (reviewed)

Company	Balance at 1 January 2022			Movements during the period						Balance at 30 September 2022		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
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

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

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

for the nine months ended 30 September 2023

US\$ 000's

	30 September 2023 (reviewed)	30 September 2022 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	2,472	2,548
Non-Islamic income	272	51
Total sources	2,744	2,599
Uses of zakah and charity fund		
Contributions to charitable organisations	(1,731)	(1,890)
Total uses	(1,731)	(1,890)
Surplus of sources over uses	1,013	709
Undistributed zakah and charity fund at beginning of the period	5,924	5,192
Undistributed zakah and charity fund at end of the period	6,937	5,901
Represented by:		
Zakah payable	1,675	753
Charity fund	5,262	5,148
	6,937	5,901

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the nine months ended 30 September 2023**

US\$ 000's

1 REPORTING ENTITY

The condensed consolidated interim financial information for the nine months ended 30 September 2023 comprise the financial information of GFH Financial Group BSC (GFH or the “Bank”) and its subsidiaries (together referred to as “the Group”).

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

Investee name	Country of incorporation	Effective ownership interests as at 30 September 2023	Activities
GFH Partners Ltd	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 Bank BSC ('KHB')	Kingdom of Bahrain	85.14%	Islamic retail bank
Al Areen Project companies		100%	Real estate development
GBCORP Tower Group Ltd		62.91%	Own & lease real estate
GBCORP B.S.C (c)		62.91%	Islamic investment firm
Residential South Real Estate Development Company W.L.L. (RSRED)		100%	Real estate development
Harbour House Row Towers W.L.L.		100%	Own & lease real estate
Al Areen Hotels W.L.L.		100%	Hospitality management services
Britus International School for Special Education W.L.L.		100%	Educational institution
Gulf Holding Company KSCC		State of Kuwait	53.63%
SQ Topco II LLC	United States	51%	Property asset management Company
Big Sky Asset Management LLC	United States	51%	Real estate investment manager
Roebuck A M LLP	United Kingdom	60%	Property asset management Company

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2023**

US\$ 000's

2 BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard FAS 41, Interim Financial Reporting ("FAS 41") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI"). In line with the requirements of AAOIFI and the Central Bank of Bahrain (CBB) rule book, for matters not covered under AAOIFI standards the group uses guidance from the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial information are reviewed and not audited. The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's last audited consolidated financial statements as at and for the year ended 31 December 2022, except those arising from certain changes in segment reporting and adoption of the following standards and amendments to standards effective from 1 January 2023. The impact of adoption of these standards and amendments is set out below.

a. New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2023:**(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.

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).

An institution obliged to pay Zakah by law or by virtue of its constitution documents shall recognise current Zakah due for the period as an expense in its financial statements. Where Zakah is not required to be paid by law or by virtue of its constitution documents, and where the institution is considered as an agent to pay Zakah on behalf of certain stakeholders, any amount paid in respect of Zakah shall be adjusted with the equity of the relevant stakeholders.

The Group has adopted this standard and will provide the necessary additional disclosures in its annual financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2023**

US\$ 000's

3. Significant accounting policies (continued)

- a. *New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2023: (continued)*

(ii) 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 is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023. The Group has adopted this standard for the basis of preparation of its condensed consolidated interim financial information. The adoption of this standard did not have any significant impact on the Group's interim financial information.

b. New standards, amendments and interpretations issued but not yet effective**(i) 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 Quasi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date and 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2023**

US\$ 000's

4 ESTIMATES AND JUDGEMENTS

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2022.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2022.

Regulatory ratios***a. Net stable funding Ratio (NSFR)***

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2023

US\$ 000's

5 *Financial risk management (continued)*

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, is as follows:
As at 30 September 2023

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	994,770	-	-	62,622	1,057,392
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		153,200	38,951	5,835	188,378
6	Less stable deposits	-	2,443,953	334,210	371,352	2,871,699
7	Wholesale funding:					
8	Operational deposits					
9	Other Wholesale funding	-	4,096,897	305,161	1,338,517	2,613,012
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	421,776	-	96,700	96,700
13	Total ASF					6,827,181
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					105,023
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and sukuk/ securities:					
17	Performing financial to financial institutions by level 1 HQLA	-	1,521,877	-	847,804	948,915
18	Performing financial to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	17,595	905	1,131,311	970,864

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19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	254,360	104,031	292,738	369,475
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	926,451	26,284	578,508	1,054,875
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	4,412
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	2,939,190	-	-	-	2,939,190
30	OBS items		-	-	-	58,384
31	Total RSF		2,720,283	131,221	2,850,360	6,451,138
32	NSFR(%)					106%

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As at 31 December 2022

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	1,004,974	-	-	53,171	1,058,145
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	158,056	15,076	26,054	190,530
6	Less stable deposits	-	1,684,867	423,803	328,355	2,226,158
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	3,548,055	931,464	1,303,542	2,656,368
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	311,371	-	43,201	43,201
13	Total ASF					6,174,402
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					87,048
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and sukuk/securities:		1,576,916		790,425	908,398
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	-	94,704	1,050,345	940,145
19	Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	294,926	102,548	279,352	380,316
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2023

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5 FINANCIAL RISK MANAGEMENT (continued)

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
23	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
24	Other assets:	-	-	-	-	-
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	2,090,285	-	-	-	2,090,285
30	OBS items	-	-	-	-	43,344
31	Total RSF	-	2,817,278	585,882	2,546,653	5,543,102
32	NSFR(%)	-	-	-	-	111%

b. Liquidity Coverage Ratio (LCR)

LCR is computed as a ratio of Stock of High Quality Liquid Assets (HQLA) over the Net cash outflows over the next 30 calendar days.

	Average balance	
	30 September 2023 (reviewed)	31 December 2022 (audited)
Stock of HQLA	562,124	272,429
Net cashflows	249,639	213,055
LCR %	227%	134%
Minimum required by CBB	100%	100%

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5 *FINANCIAL RISK MANAGEMENT (continued)*

c. *Capital Adequacy Ratio*

	30 September 2023 (reviewed)	31 December 2022 (audited)
CET 1 Capital before regulatory adjustments	1,019,665	1,020,249
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	1,019,665	1,020,249
T 2 Capital adjustments	62,622	52,628
Regulatory Capital	1,082,287	1,072,877
Risk weighted exposure:		
Credit Risk Weighted Assets	6,421,615	6,799,081
Market Risk Weighted Assets	70,276	54,624
Operational Risk Weighted Assets	436,932	431,784
Total Regulatory Risk Weighted Assets	6,928,822	7,285,489
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	6,928,817	7,285,484
Capital Adequacy Ratio (CAR)	15.62%	14.73%
Tier 1 Capital Adequacy Ratio	14.72%	14.00%
Minimum CAR required by CBB	12.5%	12.50%

6 **SEASONALITY**

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

7 **COMPARATIVES**

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2023

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8 TREASURY PORTFOLIO

	30 September 2023	31 December 2022	30 September 2022
	(reviewed)	(audited)	(reviewed)
Placements with financial institutions	1,233,133	729,311	408,228
Derivatives			
<i>At fair value through income statement</i>	4,412	2,675	-
Equity type investments			
<i>At fair value through equity</i>			
- Quoted sukuk	32,471	32,966	31,793
<i>At fair value through income statement</i>			
- Structured notes*	429,273	371,978	354,047
- Quoted fund	27,742	-	-
Debt type investments			
<i>At fair value through equity*</i>			
- Quoted sukuk	818,146	846,205	879,487
<i>At amortised cost</i>			
- Quoted sukuk *	2,450,455	2,240,354	2,125,947
- Unquoted sukuk	3,494	3,494	3,494
Less: Impairment allowances	(28,984)	(16,963)	(15,015)
	4,970,142	4,210,020	3,787,981

* Short-term and medium-term facilities of US\$ 1,568,267 thousand (31 December 2022: US\$ 1,653,875 thousand) are secured by quoted sukuk of US\$ 2,723,754 thousand (31 December 2022: US\$ 2,506,041 thousand), structured notes of US\$ 429,273 thousand (31 December 2022: US\$ 371,928 thousand).

Amortised cost sukuk of US\$ 2,450,137 thousand (31 December 2022: US\$ 2,240,354 thousand) had a market value of US\$ 2,425,701 thousand as at 30 September 2023 (31 December 2022: US\$ 2,085,938 thousand).

9 FINANCING ASSETS

	30 September 2023	31 December 2022	30 September 2022
	(reviewed)	(audited)	(reviewed)
Murabaha	1,052,176	982,170	1,062,836
Wakala	-	239	239
Mudharaba	20,877	17,336	14,166
Ijarah assets	553,093	499,865	470,017
	1,626,146	1,499,610	1,547,258
Less: Impairment allowances	(67,344)	(64,372)	(73,547)
	1,558,802	1,435,238	1,473,711

Murabaha financing receivables are net of deferred profits of US\$ 50,382 thousands (31 December 2022: US\$ 50,133 thousands).

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for the nine months ended 30 September 2023

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9 *Financing assets (continued)*

The movement on financing assets and impairment allowances is as follows:

Financing assets	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,171,407	316,177	138,562	1,626,146
Expected credit loss	(4,846)	(21,579)	(40,919)	(67,344)
Financing assets (net)	1,166,561	294,598	97,643	1,558,802

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	18,046	11,990	34,336	64,372
Net movement between stages	(4,515)	1,032	3,483	-
Net charge for the period	(8,685)	8,557	3,339	3,211
Write-offs	-	-	(239)	(239)
At 30 September 2023 (reviewed)	4,846	21,579	40,919	67,344

Financing assets	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

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	19,995	7,109	44,345	71,449
Net movement between stages	2,296	(1,411)	(885)	-
Net charge for the period	(4,245)	6,292	4,888	6,935
Write-offs	-	-	(14,012)	(14,012)
At 31 December 2022 (audited)	18,046	11,990	34,336	64,372

Financing assets	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,256,399	190,061	100,798	1,547,258
Expected credit loss	(24,473)	(6,058)	(43,016)	(73,547)
Financing assets (net)	1,231,926	184,003	57,782	1,473,711

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	19,991	7,109	44,345	71,445
Net movement between stages	1,279	(1,719)	440	-
Net charge for the period	3,203	668	1,164	5,035
Write-offs	-	-	(2,933)	(2,933)
At 30 September 2022 (Reviewed)	24,473	6,058	43,016	73,547

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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10 INVESTMENT IN REAL ESTATE

	30 September 2023 (reviewed)	31 December 2022 (audited)	30 September 2022 (reviewed)
Investment Property			
- Land	581,836	556,215	518,997
- Building	196,252	194,050	221,482
	778,088	750,265	740,479
Development Property			
- Land	154,183	147,393	129,405
- Building	401,102	389,427	400,407
	555,285	536,820	529,812
	1,333,373	1,287,085	1,270,291

11 PROPRIETARY INVESTMENTS

	30 September 2023 (reviewed)	31 December 2022 (audited)	30 September 2022 (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Unquoted securities	2,942	9,480	10,000
- Listed securities	11,442	-	17,254
	14,384	9,480	27,254
<i>At fair value through equity</i>			
- Equity type Sukuk	828,759	836,251	740,071
- Unquoted securities	58,413	55,893	182,938
	887,172	892,144	923,009
Equity-accounted investees	116,489	103,471	119,383
Impairment allowance	(12)	(42)	(193)
	1,018,033	1,005,053	1,069,453

12 CO-INVESTMENTS

	30 September 2023 (reviewed)	31 December 2022 (audited)	30 September 2022 (reviewed)
<i>At fair value through equity</i>			
- Unquoted securities	173,195	131,553	124,704
<i>At fair value through income statement</i>			
- Unquoted securities	8,939	10,498	10,630
	182,134	142,051	135,334

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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13 RECEIVABLES AND OTHER ASSETS

	30 September 2023	31 December 2022	30 September 2022
Investment banking receivables	273,860	193,923	198,868
Receivable from equity-accounted investees	62,000	62,000	-
Financing to projects, net	10,765	26,744	47,727
Receivable on sale of development properties	14,057	16,341	-
Advances and deposits	88,659	96,641	106,360
Employee receivables	7,579	5,067	16,725
Profit on sukuk receivable	20,470	18,766	17,863
Lease rentals receivable	4,370	6,117	4,974
Assets held for sale (Note:24)	29,147	-	-
Goodwill and intangibles	61,694	61,075	20,208
Prepayments and other receivables	252,605	112,511	243,575
Less: impairment allowance net (note 17)	(7,709)	(9,316)	(5,024)
	817,497	589,869	651,276

14 TERM FINANCING

	30 September 2023 (reviewed)	31 December 2022 (audited)	30 September 2022 (reviewed)
Murabaha financing *	1,593,075	1,680,940	1,699,286
Sukuk **	237,253	242,076	238,030
Ijarah financing	15,632	17,603	18,235
Other borrowings	1,568	1,579	1,568
	1,847,528	1,942,198	1,957,119

**Murabaha financing comprise:*

Short-term and medium-term facilities of US\$ 1,568,267 thousand (31 December 2022: US\$ 1,653,875 thousand) are secured by quoted sukuk of US\$ 2,723,754 thousand (31 December 2022: US\$ 2,506,041 thousand), structured notes of US\$ 429,273 thousand (31 December 2022: US\$ 371,928 thousand).

*** Sukuk*

Represents outstanding unsecured sukuk certificates with a profit rate of 7.5% p.a. repayable by 2025. The outstanding sukuk also includes accrued profit of US\$ 5,021 thousand.

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15 OTHER LIABILITIES

	30 September 2023	31 December 2022	30 September 2022
Employee related accruals	4,160	15,544	3,915
Deal related payables *	337,801	138,567	254,133
Board member allowances and accruals	-	1,500	-
Unclaimed dividends	2,615	4,754	4,923
Mudaraba profit accrual	17,794	13,184	13,624
Provision for employees' leaving indemnities	5,062	4,125	3,841
Zakah and Charity fund	6,937	5,924	5,901
Advance received from customers**	7,756	6,648	7,832
Accounts payable	92,695	127,968	132,159
Other accrued expenses and payables	118,185	105,149	113,151
Liabilities held for sale (Note:24)	3,084	-	-
	596,089	423,363	539,479

*Represents amounts payable against assets acquired as part of investment banking deals along with payable for ongoing project related costs of the said SPVs. These payables on receipt of funds from investment banking receivables and underlying SPV's are usually settled within 12 months.

**Represents amount received in advance from the customers on account of real estate assets to be delivered by the Group.

16 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 September 2023	31 December 2022	30 September 2022
From financial institutions	1,800,918	30,278	13,522
From non-financial institutions and individuals	1,299,619	1,183,396	1,077,071
	3,100,537	1,213,674	1,090,593

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17 IMPAIRMENT ALLOWANCES

	Nine months ended		Three months ended	
	30 September 2023 (reviewed)	30 September 2022 (reviewed)	30 September 2023 (reviewed)	30 September 2022 (reviewed)
Expected credit loss on:				
Bank balances	8	(15)	(12)	(26)
Treasury portfolio (note 8)	12,021	888	9,909	2,514
Financing assets, net (note 9)	3,211	5,035	(3,546)	3,419
Other receivables (note 13)	(1,599)	(5,651)	307	(2,780)
Commitments and financial guarantees	(6)	(46)	(6)	(46)
Impairment on investment in equity securities	(28)	70	3	69
	13,607	281	6,655	3,150

18 EARNING PER SHARE

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

	Nine months ended		Three months ended	
	30 September 2023 (reviewed)	30 September 2022 (reviewed)	30 September 2023 (reviewed)	30 September 2022 (reviewed)
Profit attributable to shareholders of the Bank	78,921	66,235	24,305	24,055
Weighted Average number of shares outstanding during the period	3,499,368	3,460,779	3,431,369	3,300,757
Earnings per share				
Basic and diluted earnings per share (US cents)	2.26	1.91	0.71	0.73

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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19 RELATED PARTY TRANSACTIONS

The significant related party balances and transactions as at 30 September 2023 are given below:

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
30 September 2023 (reviewed)					
Assets					
Cash and bank balances	-	-	-	12,587	12,587
Treasury portfolio	-	-	-	69,752	69,752
Financing assets	56,508	11,202	84,198	19,155	171,063
Proprietary investments	828,758	-	7,686	12,861	849,305
Co-investments	-	-	-	170,918	170,918
Receivables and prepayments	87,995	6,687	1,507	283,202	379,391
Liabilities					
Placements from financial, non-financial institutions and individuals	-	5,655	6,627	-	12,282
Current accounts	3,406	42	25,202	19,146	47,796
Payables and accruals	3,877	7,229	-	339,157	350,263
Equity of investment account holders	2,204	4,939	115,988	22,886	146,017
Income					
Investment banking	-	-	-	150,023	150,023
Commercial banking					
- <i>Income from financing</i>	-	477	4,759	-	5,236
- <i>Less: Return to investment account holders</i>	(37)	(172)	(8,520)	(13)	(8,742)
- <i>Less: Finance expense</i>	-	(194)	(8,565)	-	(8,759)
Treasury and proprietary investments	28,351	-	9,347	2,065	39,763
Expenses					
- Operating expenses	-	(878)	-	-	(878)
- Staff Cost	-	(6,750)	-	-	(6,750)
- Finance Cost	-	-	-	(2,345)	(2,345)

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19 Related party transactions (continued)

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
31 December 2022 (audited)					
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 investments	836,251	-	6,058	-	842,309
Co-investments	-	-	-	142,665	142,665
Receivables and prepayments	62,045	5,326	721	198,231	266,323
Liabilities					
Placements from financial, non-financial institutions and individuals	-	3,379	22,697	24,077	50,153
Current accounts	1,918	183	2,003	13,973	18,077
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
30 September 2022 (reviewed)					
Income					
Investment banking	-	-	-	20,419	20,419
Commercial banking					
- <i>Income from financing</i>	-	300	626	-	926
- <i>Fee and other income</i>	(1,809)	-	-	-	(1,809)
- <i>Less: Return to investment account holders</i>	(13)	(13)	(9,599)	(5)	(9,630)
- <i>Less: Finance expense</i>	-	(101)	-	-	(101)
Treasury and proprietary investments	10,500	-	-	27,613	38,113
Real Estate Income	-	3,020	-	-	3,020
Expenses					
Operating expenses	-	(790)	-	(37)	(827)
Staff Cost	-	(4,545)	-	-	(4,545)
Finance Cost	-	-	-	(2,162)	(2,162)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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20 SEGMENT REPORTING

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

	Investment banking	Commercial banking	Proprietary and treasury	Total
30 September 2023 (reviewed)				
Segment revenue	166,270	48,058	46,965	261,293
Segment expenses	(110,335)	(25,997)	(30,305)	(166,637)
Impairment allowance	-	(3,080)	(10,527)	(13,607)
Segment result	55,935	18,981	6,133	81,049
Segment assets	636,316	3,880,312	6,025,434	10,542,062
Segment liabilities	368,012	2,023,411	3,971,888	6,363,311
<i>Other segment information</i>				
Proprietary investments (<i>Equity-accounted investees</i>)	-	8,565	107,924	116,489
Equity of investment account holders	-	1,434,146	1,666,391	3,100,537
Commitments	55,485	157,283	-	212,768

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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20 Segment reporting (continued)

	Investment banking	Commercial banking	Proprietary and treasury	Total
30 September 2022 (reviewed)				
Segment revenue	73,723	58,456	55,851	188,030
Segment expenses	(59,169)	(28,159)	(28,946)	(116,274)
Impairment allowance	-	(4,600)	4,319	(281)
Segment result	14,554	25,697	31,224	71,475
31 Dec 2022 (audited)				
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
<i>Other segment information</i>				
Proprietary investments (<i>Equity-accounted investees</i>)	-	5,303	98,168	103,471
Commitments	55,485	142,992	7,007	205,484

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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21 COMMITMENTS AND CONTINGENCIES

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

	30 September 2023 (reviewed)	31 December 2022 (audited)	30 September 2022 (reviewed)
Undrawn commitments to extend finance	122,069	100,422	111,363
Financial guarantees	41,552	49,044	66,866
Capital commitment for infrastructure development projects	49,147	55,485	56,890
Commitment to lend	-	533	533
	212,768	205,484	235,652

Performance obligations

During the ordinary course of business, the Group may enter performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group at 30 September 2023 due to the performance of any of its projects.

Litigations, claims and contingencies

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

22 FINANCIAL INSTRUMENTS

Fair values

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

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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2023**

US\$ 000's

22 *Financial instruments (continued)*

Fair value hierarchy

The different levels have been defined as follows:

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

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

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

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

	30 September 2023 (reviewed)		30 September 2022 (reviewed)	
	Profit or loss	FVTE	Profit or Loss	FVTE
Equity instruments- marketability factor (±10%)	±894	± 23,161	± 2,788	± 14,771
Structure notes- impact in underlying value (±5%)	±21,464	-	± 18,202	-
Proprietary Investments- impact of change in value (±5%)	±719	-	±863	-
Quoted Fund- impact in underlying value (±5%)	±1,387	-	-	-

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US\$ 000's

22 *Financial instruments (continued)*

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

	30 September 2023 (reviewed)	31 December 2022 (audited)
At beginning of the period	572,597	667,289
Disposals at carrying value	(56,611)	(134,550)
Purchases	157,818	88,256
Fair value changes during the period	28,170	(48,398)
At end of the period	701,974	572,597

23 ASSETS UNDER MANAGEMENT AND CUSTODIAL ASSETS

The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of US\$ 9,246 million (31 December 2022: US\$ 7,845 million). During the period, the Group had charged management fees amounting to US\$ 14,706 thousand (30 September 2022: US\$ 5,885 thousands) to its assets under management.

24 Acquisition of a subsidiary

The Group acquired the below mentioned subsidiary for sale in next 12 months. Accordingly, assets has recognised as held for sale (note 13) and liabilities has been recognised as held for sale (note 15).

	% stake acquired	Place of incorporation	Nature of activities
Al Areen Leisure & Tourism The Lost Paradise of Dilmun Waterpark	100%	Kingdom of Bahrain	Leisure & Hospitality

Consideration

The total consideration amounted to US\$ 32,000 thousand and includes cash and deferred consideration. Deferred consideration of US \$ 25,000 thousand will be paid over a period of 3 years including a profit rate of 6.5% per annum.