

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
31 March 2016

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	:	Ahmed Al Mutawa, <i>Chairman</i> Mosabah Saif Al Mautairy, <i>Vice Chairman</i> Bashar Muhammad Almutawa Mohammed Ali Talib Sheikh Mohammed Bin Duajj Al Khalifa Khalid Alkhazraji Faisal Abdulla Fouad Yousif Ibrahim AlGhanim Jassim AlSeddiqi (w.e.f 17 April 2016) Hisham Alrayes (w.e.f. 17 April 2016)
Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

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KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: www.kpmg.com/bh
CR No. 6220

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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

14 May 2016

Introduction

We have reviewed the accompanying 31 March 2016 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 31 March 2016;
- the condensed consolidated income statement for the three month-period ended 31 March 2016;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2016;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2016;
- the condensed consolidated statement of changes in restricted investment accounts for the three-month period ended 31 March 2016;
- the condensed consolidated statement of changes in sources and uses of zakah and charity fund for the three-month period ended 31 March 2016; 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 Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 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

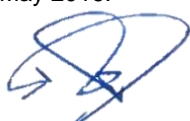
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

US\$ 000's

	note	31 March 2016 (reviewed)	31 December 2015 (audited)	31 March 2015 (reviewed)
ASSETS				
Cash and bank balances	10	84,378	122,165	114,785
Placements with financial institutions		143,641	122,348	226,993
Financing assets		897,057	859,421	752,792
Investment securities	11	582,979	573,453	628,091
Assets acquired for leasing		200,229	179,870	123,202
Investment properties		311,395	257,932	313,635
Development properties		179,453	179,577	131,317
Equity-accounted investees		81,399	81,274	21,676
Property, plant and equipment		25,472	25,602	166,199
Intangible assets		-	-	125,133
Other assets	12	196,296	248,160	296,945
Total assets		2,702,299	2,649,802	2,900,768
LIABILITIES				
Investors' funds		13,541	27,728	16,754
Placements from financial institutions, other entities and individuals	13	376,069	340,090	340,729
Customer current accounts		174,526	154,052	109,847
Financing liabilities	14	169,400	153,619	245,099
Other liabilities		103,946	135,977	181,186
Total liabilities		837,482	811,466	893,615
Equity of investment account holders		965,168	944,915	924,153
OWNERS' EQUITY				
Share capital		597,995	597,995	1,494,987
Treasury shares		(8,873)	(4,053)	(948)
Capital adjustment account		22,392	22,420	(656,943)
Statutory reserve		72,055	72,055	70,060
Retained earnings / (accumulated losses)		12,645	6,581	(199,998)
Fair value reserve		806	(230)	(1,785)
Share grant reserve		893	893	1,129
Foreign currency translation reserve		-	-	(314)
Total equity attributable to shareholders of the Bank		697,913	695,661	706,188
Non-controlling interests		201,736	197,760	376,812
Total owners' equity (page 4)		899,649	893,421	1,083,000
Total liabilities, equity of investment account holders and owners' equity		2,702,299	2,649,802	2,900,768

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 19 on 14 May 2016.



Ahmed Al Mutawa
Chairman



Mosabab Saif Al Mautairy
Vice Chairman



Hisham Alrayes
Chief Executive Officer & Board member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2016

US\$ 000's

	note	Three months ended	
		31 March 2016 (reviewed)	31 March 2015 (reviewed)
Continuing operations			
Income from investment banking services		-	11,633
Fee and commission income		8,747	119
Income from placements with financial institutions		469	342
Income from financing assets and assets acquired for leasing		16,165	14,589
Share of profits of equity-accounted investees		125	828
Income from investment securities, net		1,232	2,242
Foreign exchange (loss) / gain, net		417	(1,783)
Other income	15	10,203	1,001
Total income before return to investment account holders and finance expenses		37,358	28,971
Return to investment account holders before Group's share as Mudarib		(9,953)	(10,761)
Group's share as Mudarib		5,703	5,400
Return to investment account holders		(4,250)	(5,361)
Finance expense		(3,972)	(4,668)
Total income		29,136	18,942
Staff cost		7,329	6,745
Investment advisory expenses		3,244	1,582
Other operating expenses		7,065	6,254
Total expenses		17,638	14,581
Profit for the period before impairment		11,498	4,361
Less: Impairment allowances		(1,458)	-
Profit for the period from continuing operations		10,040	4,361
Discontinued operations			
Profit from industrial business, net	7	-	1,682
PROFIT FOR THE PERIOD		10,040	6,043
Attributable to:			
Shareholders of the Bank		6,064	2,200
Non-controlling interests		3,976	3,843
		10,040	6,043
Earnings per share			
Basic and diluted earnings per share (US cents)		0.27	0.10
Earnings per share (continuing operations)			
Basic and diluted earnings per share (US cents)		0.27	0.07

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2016

US\$ 000's

	Attributable to shareholders of the Bank							Non – controlling interests	Total owners' equity	
	Share capital	Treasury shares	Capital adjustment account	Statutory reserve	Retained earnings	Fair value reserve	Share grant reserve			Total
31 March 2016 (reviewed)										
Balance at 1 January 2016	597,995	(4,053)	22,420	72,055	6,581	(230)	893	695,661	197,760	893,421
Profit for the period (page 3)	-	-	-	-	6,064	-	-	6,064	3,976	10,040
Fair value changes	-	-	-	-	-	1,036	-	1,036	-	1,036
Total recognised income and expense	-	-	-	-	6,064	1,036	-	7,100	3,976	11,076
Purchase of treasury shares (note 9)	-	(5,095)	-	-	-	-	-	(5,095)	-	(5,095)
Sale of treasury shares	-	275	-	-	-	-	-	275	-	275
Loss on sale of treasury shares, net	-	-	(28)	-	-	-	-	(28)	-	(28)
Balance at 31 March 2016	597,995	(8,873)	22,392	72,055	12,645	806	893	697,913	201,736	899,649

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2016 *(continued)*

US\$ 000's

	Attributable to shareholders of the Bank								Non – controlling interests	Total owners' equity	
	Share capital	Treasury shares	Capital adjustment account	Statutory reserve	Accumulated losses	Fair value reserve	Share grant reserve	Foreign currency translation reserve			Total
31 March 2015 (reviewed)											
Balance at 1 January 2015	1,253,626	(912)	(475,582)	70,060	(202,198)	(2,366)	1,129	(780)	642,977	374,678	1,017,655
Profit for the period (page 3)	-	-	-	-	2,200	-	-	-	2,200	3,843	6,043
Fair value changes	-	-	-	-	-	581	-	-	581	-	581
Foreign currency translation differences	-	-	-	-	-	-	-	466	466	-	466
Total recognised income and expense	-	-	-	-	2,200	581	-	466	3,247	3,843	7,090
Conversion of Murabaha to capital (note 8)	241,361	-	(181,361)	-	-	-	-	-	60,000	-	60,000
Purchase of treasury shares	-	(36)	-	-	-	-	-	-	(36)	-	(36)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,709)	(1,709)
Balance at 31 March 2015	1,494,987	(948)	(656,943)	70,060	(199,998)	(1,785)	1,129	(314)	706,188	376,812	1,083,000

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2016

US\$ 000's

	31 March 2016 (reviewed)	31 March 2015 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	10,040	6,043
Adjustments for:		
Fair value changes in investment securities	1,734	374
Gain on sale of investment securities	(248)	-
Dividend income	(3,658)	-
Share of profit of equity-accounted investees	(125)	(828)
Foreign exchange (gain) / loss	(417)	1,783
Income from investment banking services	-	(11,633)
Other income	(9,789)	(94)
Impairment allowances	1,458	317
Depreciation and amortisation	480	1,414
	(525)	(2,624)
Changes in:		
Financing assets	(37,636)	29,836
Assets acquired for leasing	(20,359)	(9,194)
Other assets	24,675	(19,323)
CBB Reserve balance	305	(3,647)
Investors' funds	(14,187)	(4,967)
Placements from financial, other entities and individuals	35,979	1,271
Customer current accounts	20,474	1,209
Equity of investment account holders	20,253	28,594
Other liabilities	(32,031)	30,906
Net cash (used in) / generated from operating activities	(3,052)	52,061
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(40)	(1,357)
Purchase of investment securities	(30,010)	(155,984)
Advance for investments	-	(3,348)
Proceeds from sale of investment securities	20,594	16,703
Dividend/Income from sukuk investments	3,658	955
Net cash used in investing activities	(5,798)	(143,031)
FINANCING ACTIVITIES		
Financing liabilities, net	-	(4,155)
Finance expense paid	(2,519)	(3,422)
Dividend paid (including non-controlling interests)	-	(1,709)
Proceeds from issue of convertible murabaha	-	60,000
Purchase of treasury shares	(4,820)	(36)
Net cash (used in) / generated from financing activities	(7,339)	50,678
Net decrease in cash and cash equivalents during the period	(16,189)	(40,292)
Cash and cash equivalents at 1 January	194,460	333,659
CASH AND CASH EQUIVALENTS AT 31 March	178,271	293,367
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB Reserve balance)	34,630	66,374
Placements with financial institutions	143,641	226,993
	178,271	293,367

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2016

US\$ '000s

31 March 2016 (reviewed)	Balance at 1 January 2016			Movements during the period						Balance at 31 March 2016		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/(withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.35	52	-	-	-	-	-	-	150	0.35	52
Al Basha'er Fund	93	6.95	646	-	(48)	-	-	-	-	93	6.43	598
Safana Investment (RIA 1)	8,313	2.65	22,050	-	-	-	-	-	-	8,313	2.65	22,050
Janayen Holding Limited (RIA 4)	48,082	0.48	22,546	(22,546)	-	-	-	-	-	-	-	-
Shaden Real Estate Investment WLL (RIA 5)	3,728	2.65	9,888	(212)	-	-	-	-	-	3,648	2.65	9,676
Locata Corporation Pty Ltd (RIA 6)	2,633	0.94	2,475	-	-	-	-	-	-	2,633	0.94	2,475
			57,657	(22,758)	(48)	-	-	-	-			34,851

31 March 2015 (reviewed)	Balance at 1 January 2015			Movements during the period						Balance at 31 March 2015		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/(withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.35	52	-	-	-	-	-	-	150	0.35	52
Al Basha'er Fund	93	8.39	780	-	(44)	-	-	-	-	93	7.91	736
Safana Investment (RIA 1)	8,313	2.65	22,050	-	-	-	-	-	-	8,313	2.65	22,050
Janayen Holding Limited (RIA 4)	48,082	0.24	12,095	-	-	390	-	-	(82)	48,082	0.27	12,403
Shaden Real Estate Investment WLL (RIA 5)	8,100	2.65	21,485	(8,594)	-	-	-	-	-	4,860	2.65	12,891
Locata Corporation Pty Ltd (RIA 6)	2,633	1.01	2,633	-	-	-	-	-	-	2,633	1.00	2,633
			59,095	(8,594)	(44)	390	-	-	(82)			50,765

The condensed consolidated interim financial information consists of pages 2 to 19.

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

for the three months ended 31 March 2016

US\$ 000's

	31 March 2016 (reviewed)	31 March 2015 (reviewed)
Sources of zakah and charity fund		
Non-Islamic income	35	10
Total sources	35	10
Uses of zakah and charity fund		
Contributions to charitable organisations	(32)	(1,042)
Total uses	(32)	(1,042)
Excess / (deficit) of sources over uses	3	(1,032)
Undistributed zakah and charity fund at beginning of the period	2,675	5,050
Undistributed zakah and charity fund at end of the period	2,678	4,018
Represented by:		
Zakah payable	751	1,851
Charity fund	1,927	2,167
	2,678	4,018

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016**

1 Reporting entity

The condensed consolidated interim financial information for the three months ended 31 March 2016 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.

Name of subsidiary	Equity interest	Place of business	Parent	Primary business activity
Khaleeji Commercial Bank B.S.C ('KHCB')	46.96%	Bahrain	GFH	Retail banking
Morocco Gateway Investment Company ('MGIC')	33.53%	Morocco	GFH	Infrastructure and Real estate development
Capital Real Estate BSC (c) ('CRE')	60.00%	Bahrain	GFH	Real Estate Development
Surooh Company, Cayman Islands ('Surooh')	10.00%	Bahrain	KHCB	To construct and sell properties at “Oryx Hills”.
Eqarat Al Khaleej, Cayman Islands ('Eqarat')	19.80%	Bahrain	KHCB	To buy, sell and renting income producing properties across the GCC.

2 Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards. Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – '*Interim Financial Reporting*'. The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2015. 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 2015.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's audited financial statements for the year ended 31 December 2015.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016**

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2015.

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 2015.

6 Seasonality

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

7 The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015 and the reviewed condensed consolidated interim financial information for the three months ended 31 March 2015. The comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, changes in restricted investment accounts and sources and uses of zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the three months ended 31 March 2015.

In the comparative period, the Group consolidated its industrial business representing investment in Cemena Investment Company ('CIC'), a subsidiary, based on assessment of control over CIC and its underlying subsidiaries. Due to changes in the capital structure of CIC, the Group lost control over CIC and has ceased consolidation of CIC from 1 October 2015. Accordingly, the individual assets and liabilities of the subsidiary were derecognised from the consolidated financial statements as at 31 December 2015 and the results of CIC are no longer consolidated with that of the Group. However, the comparative condensed consolidated income statement for the three months ended 31 March 2016 included the results of industrial business amounting to US\$ 1,682 thousand which have been re-presented and included under discontinued operations. Accordingly, the prior results are not fully comparable to the current period results of the Group.

8 Appropriations, if any, are made when approved by the shareholders.

9 During the period, the Bank has bought back 48,180 thousand treasury shares amounting to US\$ 4,895 thousand towards the employees share incentive scheme.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

10 Cash and bank balances

	31 March 2016 US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)	31 March 2015 US\$ 000's (reviewed)
Cash	15,433	17,302	10,671
Balances with banks	14,369	40,195	44,066
Balances with Central Bank of Bahrain			
- Current account	4,828	14,615	11,637
- Reserve account	49,748	50,053	48,411
	84,378	122,165	114,785

The reserve account with the Central Bank of Bahrain is not available for day-to-day operations purposes.

11 Investment securities

	31 March 2016 US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)	31 March 2015 US\$ 000's (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Quoted securities	3,299	377	377
- Quoted funds	-	-	10,011
- Unquoted managed fund	2,050	2,050	3,679
- Unquoted securities	56,563	58,297	58,297
- Corporate sukuk (quoted)	-	-	22,740
	61,912	60,724	95,104
<i>At fair value through equity</i>			
- Quoted securities	14,777	15,242	14,259
- Unquoted managed funds	1,384	1,973	28,842
- Unquoted securities* (at cost)	324,503	326,991	303,382
	340,664	344,206	346,483
Debt type investments			
<i>At amortised cost</i>			
- Sovereign sukuk (quoted)	163,583	159,397	157,634
- Corporate sukuk (quoted)	10,024	1,000	14,900
- Corporate sukuk (unquoted)	6,796	8,126	12,914
	180,403	168,523	185,448
<i>At fair value through income statement</i>			
- Corporate sukuk (quoted)	-	-	1,056
	582,979	573,453	628,091

* Unquoted equity securities classified at fair value through equity mainly include investments in projects promoted by the Group. In the absence of reliable measure of fair value, these investments are carried at cost less impairment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

12 Other assets

	31 March 2016 US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)	31 March 2015 US\$ 000's (reviewed)
Investment banking receivables	21,280	41,958	54,282
Financing to projects	53,570	79,997	84,497
Reimbursement right (note 18)	35,000	35,000	35,000
Receivable from sale of investments and properties	10,000	10,992	-
Deposits and advances	21,204	20,198	4,809
Employee receivables	14,003	14,008	13,647
Claims recoverable	4,954	13,780	12,027
Income from sukuk receivable	1,992	3,481	2,277
Lease rentals receivable	5,305	3,419	3,289
Prepayments and other receivables	28,988	25,327	18,063
Inventories	-	-	26,058
Trade receivables	-	-	42,996
	196,296	248,160	296,945,123, 166

13 Placements from financial institutions, other entities and individuals

These comprise placements (murabaha and wakala) from financial and other institutions (including corporate) as part of Group's treasury activities. This includes US\$ 84 million of funds placed by a non-financial entity, which is currently subject to regulatory sanctions, and are currently frozen until such sanctions are formally lifted.

14 Financing liabilities

	31 March 2016 US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)	31 March 2015 US\$ 000's (reviewed)
<i>Financing of banking operations</i>			
- Murabaha financing	35,780	35,851	47,294
- Wakala financing	38,825	38,043	42,454
- Sukuk liability	69,171	69,904	83,749
<i>Financing of industrial business</i>			
- Short term loans	-	-	24,130
- Ijarah financing	-	-	9,138
- Term loans	-	-	19,046
- Murabaha financing	-	-	1,072
Other borrowing	25,624	9,821	18,216
	169,400	153,619	245,099

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016**

14 *Financing liabilities (continued)**Murabaha financing*

Murabaha financing comprise medium-term financing from a syndicate of banks and repayable over 6 years on semi annual basis commencing from August 2014. The profit rate on the facility is 6 months LIBOR plus margin (subject to a minimum of 5%).

The Murabaha financing facilities are secured by a pledge over the Group's investment in a subsidiary of carrying value of US\$ 143 million (31 December 2015: US\$ 143 million) and investment property of carrying value of US\$ 24.6 million (31 December 2015: US\$ 24.6 million).

Wakala financing

Wakala financing is a syndicate facility from a number of financial institutions and repayable over a period of six years till April 2019 at an agreed profit rate of 6%. The Wakala financing facility is secured by a pledge over the Group's investment property of carrying value of US\$ 122 million (31 December 2015: US\$ 122 million).

Sukuk liability

Sukuk liability is repayable over a period of 6 years starting from July 2014. The sukuk carry a profit rate of LIBOR plus a margin of 3%, with a minimum profit rate of 5%.

The Sukuk Certificates are backed by the Group's investment securities with carrying values of US\$ 92.94 million (31 December 2015: US\$ 92.94 million) and an investment property of carrying value of US\$ 31.5 million (31 December 2015: US\$ 31.5 million)

The Sukuk were traded on the London Stock Exchange's Gilt Edged and Fixed Interest Market. Currently, the Sukuk are suspended from trading.

15 **Other income**

Other income primarily comprises recoveries on previously impaired accounts and recovery due to settlement of certain legal claims.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016**
16 Related party transactions

The significant related party balances are not materially different from the the amounts reported as at 31 December 2015 except for those arising from consolidation of subsidiaries. Other significant related party transactions entered during the period are given below:

Three months ended 31 March 2016	Associates	Key management personnel	Entities in which shareholders have an interest	Assets under management (including special purpose entities)	Total
	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s
Income					
Fee and commission income	-	-	6,000	947	6,947
Income from investment securities	(1,734)	-	-	-	(1,734)
Share of profit of equity-accounted investees	125	-	-	-	125
Other income	16	-	-	-	16
Expenses					
Staff cost	-	3,468	-	-	3,468
Other expenses	-	95	-	-	95

Three months ended 31 March 2015	Associates	Key management personnel	Entities in which shareholders have an interest	Assets under management (including special purpose entities)	Total
	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s
Income					
Income from financing assets and assets acquired for leasing	56	-	-	-	56
Income from investment banking services	-	-	-	11,633	11,633
Fee and commission income	44	-	-	-	44
Income from investment securities	(506)	-	-	-	(506)
Share of profit of equity-accounted investees	828	-	-	-	828
Expenses					
Return to investment account holders	3	-	-	80	83
Staff cost	-	1,358	-	-	1,358
Other expenses	-	117	-	32	149

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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17 Segment reporting

The Group is organised into business units based on their nature of operations and independent reporting entities and has four reportable operating segments namely Real Estate Development, Asset Management, Private Equity and Commercial Banking.

	Real estate development	Asset Management	Private equity	Commercial banking	Unallocated / Elimination	Total
	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s
31 March 2016 (reviewed)						
Segment revenue	4,135	176	4,782	16,176	3,867	29,136
Segment expenses	3,891	622	4,974	8,434	1,175	19,096
Segment result	148	(463)	(308)	7,742	2,921	10,040
Segment assets	682,780	32,130	200,640	1,768,920	17,829	2,702,299
Segment liabilities	242,184	22,195	58,782	485,597	28,724	837,482
<i>Other segment information</i>						
Impairment allowance	314	-	-	1,144	-	1,458
Equity accounted investees	-	-	78,925	2,474	-	81,399
Equity of investment account holders	-	-	-	963,496	1,672	965,168
Commitments	37,000	-	-	252,300	-	289,300

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2016

17 *Segment reporting (continued)*

	Real estate development	Asset Management	Private equity	Commercial banking	Unallocated / Elimination	Total
	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s	US\$ '000s
31 March 2015 (reviewed)						
Segment revenue *	(2,457)	11,479	1,540	11,700	(1,638)	20,624
Segment expenses	2,683	1,144	2,323	7,033	1,398	14,581
Segment result	(5,140)	10,335	(783)	4,667	(3,036)	6,043
Segment assets	649,421	40,683	545,985	1,657,688	6,991	2,900,768
Segment liabilities	274,043	46,730	167,579	385,275	19,988	893,615
<i>Other segment information</i>						
Equity-accounted investees	-	-	17,257	4,419	-	21,676
Equity of investment account holders	-	-	-	922,497	1,656	924,153
Commitments	10,000	-	117,327	186,947	-	314,274

* Includes segment result of discontinued operations, net.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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18 Commitments and contingencies

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

	31 March 2016 US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)	31 March 2015 US\$ 000's (reviewed)
Undrawn commitments to extend finance	191,183	161,788	149,727
Financial guarantees	76,117	68,006	47,220
Commitment for infrastructure development	22,000	32,000	-
Capital commitments relating to construction of cement plant	-	-	111,736
Operating lease commitments			
- Within one year	-	-	278
- 1 – 5 years	-	-	1,193
- Over 5 years	-	-	1,467
Guarantees issued by banks on behalf of the Group	-	-	2,653

Also, the Group has issued a financial guarantee of US\$ 35 million to an investee company. Based on the assessment of the financial position of the investee company, the Group has recognized a provision of US\$ 35 million (31 December 2015: US\$ 35 million) which is included in other liabilities and recognised an equivalent amount of 'reimbursement right' receivable included in 'other assets' (note 12). The Group is currently in discussion with the lenders and in the opinion of the management, as at the reporting date, the guarantee stands expired.

In the opinion of the management, the facilities that are due are being renegotiated and based on the current status of discussions, it is not expected that the Group will have to make payments against any of these guarantees. In the event any payment is required to be made, the Group will repay the existing lenders and the amounts will be recovered from the future cash flows generated from the operation of the relevant project.

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 at 31 March 2016 due to the performance of any of its projects.

Litigations, claims and contingencies

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. In a particular case against the previously recognised management fee, during the year, the Bank has lost the litigation in a lower court in the Kingdom of Bahrain which has awarded an amount of US\$ 2 million to the appellant. The Bank has contested against the ruling in the higher court which is currently under progress. Based on the advice of the Bank's external legal counsel who confirmed that the Bank has strong grounds to successfully defend itself against the remaining claims. Accordingly, no provision for these claims has been made in the condensed consolidated interim financial information. No further disclosures regarding contingent liabilities arising from any of 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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19 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.

As at 31 March 2016 and 31 December 2015, 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 quotes market prices and internal valuation models for unquoted investments. Other investments are carried at cost in the absence of a reliable measure of fair value.

Financing assets

In case of financing assets and lease receivables, the average profit rate of the portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the current value would not be materially different to fair value of these assets.

Financing liabilities

As at 31 March 2016, the fair value of financing liabilities was estimated at US\$ 164,369 thousand (carrying value US\$ 169,400 thousand) (31 December 2015: fair value US\$ 148,578 thousand (carrying value US\$ 153,619 thousand) based on recent transactions for repurchase of liability instruments by the Bank. These may not necessarily represent active market quotes. In a normal (and not stressed scenario), the carrying values would approximate fair value of financing liabilities as these are largely floating rate instruments which were re-priced recently as part of the debt restructuring process. The fair values of financial assets and liabilities of industrial business segment are determined on provisional basis and approximates the current carrying values.

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).

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19 *Financial instruments (continued)*

31 March 2016 (reviewed)

Investment securities carried at

- fair value through income statement
- fair value through equity

Level 1	Level 2	Level 3	Total
US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
3,299	-	58,613	61,912
14,777	-	1,384	16,161
18,076	-	59,997	78,073

31 December 2015 (audited)

Investment securities carried at

- fair value through income statement
- fair value through equity

Level 1	Level 2	Level 3	Total
US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
377	-	60,347	60,724
15,242	-	1,973	17,215
15,619	-	62,320	77,939

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

	31 March 2016 US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)
At beginning of the period	62,320	64,455
Gains (losses) in income statement	(1,734)	(2,135)
Purchases	-	-
Disposals	(589)	-
Transfers into (out) of Level 3	-	-
At end of the period	59,997	62,320

- 20 Certain prior period amounts have been regrouped to confirm current period presentation. Such regrouping does not affect the previously reported profit for the period or total owners' equity.