

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
31 MARCH 2022

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

GFH FINANCIAL GROUP BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022**

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

US\$ 000's

	Note	31 March 2022 (reviewed)	31 December 2021 (audited)	31 March 2021 (reviewed)
ASSETS				
Cash and bank balances		544,481	722,471	805,917
Treasury portfolio	9	3,161,058	3,089,925	2,021,232
Financing assets	10	1,440,867	1,311,002	1,259,791
Investment in real estate	11	1,074,445	1,905,598	1,820,683
Proprietary investments	12	1,165,305	211,638	174,474
Co-investments	13	119,368	171,877	120,449
Receivables and other assets		548,789	531,488	697,301
Property and equipment		63,427	139,687	143,223
Total assets		8,117,740	8,083,686	7,043,070
LIABILITIES				
Clients' funds		163,925	216,762	84,613
Placements from financial, non-financial institutions and individuals		2,759,348	3,052,092	2,589,838
Customer current accounts		142,021	133,046	159,162
Term financing	14	1,931,838	1,750,667	1,253,204
Other liabilities		625,728	404,654	420,795
Total liabilities		5,622,860	5,557,221	4,507,612
Total equity of investment account holders		1,400,059	1,358,344	1,341,312
OWNERS' EQUITY				
Share capital		1,000,638	1,000,638	975,638
Treasury shares		(62,933)	(48,498)	(65,623)
Statutory reserve		27,970	27,970	19,548
Investment fair value reserve		(31,703)	(28,561)	(7,176)
Foreign currency translation reserve		-	(70,266)	(42,777)
Retained earnings		101,050	81,811	36,674
Share grant reserve		-	-	1,093
Total equity attributable to shareholders of the Bank		1,035,022	963,094	917,377
Non-controlling interests		59,799	205,027	276,769
Total owners' equity		1,094,821	1,168,121	1,194,146
Total liabilities, equity of investment account holders and owners' equity		8,117,740	8,083,686	7,043,070

The Board of Directors approved the condensed consolidated interim financial information on 11 May 2022 and signed on its behalf by:



Ghazi Faisal Ebrahim Alhajeri
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2022

US\$ 000's

	Note	Three months ended	
		31 March 2022 (reviewed)	31 March 2021 (reviewed)
Investment banking income			
Asset management		989	805
Deal related income		23,690	16,785
		24,679	17,590
Commercial banking income			
Income from financing		21,228	21,658
Treasury and investment income		11,795	10,814
Fee and other income		3,323	1,556
Less: Return to investment account holders		(8,515)	(8,289)
Less: Finance expense		(8,080)	(8,566)
		19,751	17,173
Income from proprietary and co-investments			
Income from sale of real estate assets		1,932	3,434
Leasing and operating income		1,128	1,144
Direct investment income, net		2,490	9,852
Income from co-investments		7,235	3,690
		12,785	18,120
Treasury and other income			
Finance and treasury portfolio income, net		25,624	29,650
Other income, net		7,975	7,856
		33,599	37,506
Total income		90,814	90,389
Operating expenses		34,299	32,185
Finance expense		35,781	33,665
Impairment allowances	15	1,385	5,200
Total expenses		71,465	71,050
Profit for the period		19,349	19,339
Attributable to:			
Shareholders of the Bank		19,118	16,122
Non-controlling interests		231	3,217
		19,349	19,339
Earnings per share			
Basic and diluted earnings per share (US cents)		0.54	0.52



Ghazi Faisal Ebrahim Alhajeri
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2022

US\$ 000's

	Attributable to shareholders of the Bank						Non-Controlling Interests	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings			Total
Balance at 1 January 2022	1,000,638	(48,498)	27,970	(28,561)	(70,266)	81,811	963,094	205,027	1,168,121
Profit for the period	-	-	-	-	-	19,118	19,118	231	19,349
Transfer on reclassification from FVTE to amortised cost (Note 9)	-	-	-	41,320	-	-	41,320	-	41,320
Fair value changes during the period	-	-	-	(42,889)	-	-	(42,889)	(4,165)	(47,054)
Transfer to income statement on disposal of sukuk	-	-	-	(1,573)	-	-	(1,573)	-	(1,573)
Total recognised income and expense	-	-	-	(3,142)	-	19,118	15,976	(3,934)	12,042
Purchase of treasury shares	-	(23,942)	-	-	-	-	(23,942)	-	(23,942)
Sale of treasury shares	-	9,507	-	-	-	121	9,628	-	9,628
Transferred to income statement on deconsolidation of subsidiaries	-	-	-	-	70,266	-	70,266	-	70,266
Adjusted on deconsolidation of subsidiaries (Note 21)	-	-	-	-	-	-	-	(141,294)	(141,294)
Balance at 31 March 2022	1,000,638	(62,933)	27,970	(31,703)	-	101,050	1,035,022	59,799	1,094,821

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITYfor the three months ended 31 March 2022 *(continued)*

US\$ 000's

	Attributable to shareholders of the Bank							Non – controlling interests	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings	Share grant reserve			Total
31 March 2021 (reviewed)										
Balance at 1 January 2021 (as previously reported)	975,638	(63,979)	19,548	5,593	(46,947)	22,385	1,093	913,331	272,733	1,186,064
Effect of adoption of FAS 32	-	-	-	-	-	(2,096)	-	(2,096)	-	(2,096)
Balance at 1 January 2021 (restated)	975,638	(63,979)	19,548	5,593	(46,947)	20,289	1,093	911,235	272,733	1,183,968
Profit for the period	-	-	-	-	-	16,122	-	16,122	3,217	19,339
Fair value changes during the period	-	-	-	(4,479)	-	-	-	(4,479)	358	(4,121)
Transfer to income statement on disposal of sukuk	-	-	-	(8,290)	-	-	-	(8,290)	-	(8,290)
Total recognised income and expense	-	-	-	(12,769)	-	16,122	-	3,353	3,575	6,928
Transfer to zakah and charity fund (subsidiaries)	-	-	-	-	-	(338)	-	(338)	(272)	(610)
Purchase of treasury shares	-	(23,824)	-	-	-	-	-	(23,824)	-	(23,824)
Sale of treasury shares	-	22,180	-	-	-	601	-	22,781	-	22,781
Foreign currency translation differences	-	-	-	-	4,170	-	-	4,170	733	4,903
Balance at 31 March 2021	975,638	(65,623)	19,548	(7,176)	(42,777)	36,674	1,093	917,377	276,769	1,194,146

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2022

US\$ 000's

	31 March 2022 (reviewed)	31 March 2021 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	19,349	19,339
Adjustments for:		
Income from commercial banking	(11,692)	(10,648)
Income from proprietary investments	(9,725)	(13,542)
Income from dividend and loss on treasury investments	(36,659)	(22,084)
Foreign exchange gain	(443)	(925)
Finance expense	38,812	42,230
Impairment allowances	1,385	5,200
Depreciation and amortisation	397	1,147
	1,424	20,717
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	-	(97,237)
Financing assets	(63,606)	7,475
Other assets	(35,359)	(44,701)
CBB Reserve and restricted bank balance	233	(21,766)
Clients' funds	(52,837)	(46,322)
Customer current accounts	5,581	18,407
Equity of investment account holders	41,715	184,319
Payables and accruals	221,072	(44,242)
Net cash from / (used) in operating activities	118,223	(23,350)
INVESTING ACTIVITIES		
Payments for purchase of equipment	-	(195)
Proceeds from sale of proprietary investment securities, net	(31,771)	27,253
Purchase of treasury portfolio, net	(201,439)	(142,151)
Proceeds from sale of investment in real estate	660	200
Dividends received from proprietary investments and co-investments	7,657	3,758
Advance paid for development of real estate	(1,106)	(15,681)
Net cash used in investing activities	(225,999)	(126,816)
FINANCING ACTIVITIES		
Financing liabilities, net	200,976	164,128
Finance expense paid	(60,080)	(41,446)
Placements from financial and non-financial institutions	(292,744)	173,482
Dividends paid	(114)	(73)
Purchase of treasury shares, net	(14,435)	(1,644)
Net cash (used) in / from financing activities	(166,397)	294,447
Net (decreased) increase in cash and cash equivalents during the period	(274,173)	144,281
Cash and cash equivalents at 1 January	844,344	655,455
Cash and cash equivalents at 31 March *	570,171	799,736
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB reserve balance and restricted cash)	486,630	738,916
Placements with financial institutions (original maturities of 3 months or less)	83,541	60,820
	570,171	799,736

* net of expected credit loss of US\$ 49 thousands (31 March 2021: US\$ 55 thousands).

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2022

31 March 2022 (reviewed)		Balance at 1 January 2022			Movements during the period					Balance at 31 March 2022		
Company	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	(2)	-	-	-	-	-	12	7.70	92
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	1.0	2,633	(2,633)	-	-	-	-	-	-	-	-
			28,450	(24,290)	-	-	-	-	-			4,160

31 March 2021 (reviewed)		Balance at 1 January 2021			Movements during the period					Balance at 31 March 2021		
Company	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	7.91	95	-	-	-	-	-	-	12	7.91	95
Safana Investment (RIA 1)	6,254	2.65	16,573	-	-	-	-	-	-	6,254	2.65	16,573
Shaden Real Estate Investment WLL (RIA 5)	3,434	2.65	9,100	-	-	-	-	-	-	3,434	2.65	9,100
Locata Corporation Pty Ltd (RIA 6)	2,633	1	2,633	-	-	-	-	-	-	2,633	1	2,633
			28,451	-	-	-	-	-	-			28,451

The accompanying notes 1 to 21 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 three months ended 31 March 2022 US\$ 000's

	31 March 2022 (reviewed)	31 March 2021 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	1,059	610
Non-Islamic income	15	9
Total sources	1,074	619
Uses of zakah and charity fund		
Contributions to charitable organisations	(22)	(653)
Total uses	(22)	(653)
Surplus of sources over uses	1,052	(34)
Undistributed zakah and charity fund at beginning of the period	5,173	5,343
Undistributed zakah and charity fund at end of the period	6,225	5,309
Represented by:		
Zakah payable	2,000	1,521
Charity fund	4,225	3,788
	6,225	5,309

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022**

US\$ 000's

1 Reporting entity

The condensed consolidated interim financial information for the three months ended 31 March 2022 comprise the financial information of GFH Financial Group BSC (GFH or the "Bank") and its subsidiaries (together referred to as "the Group").

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

Investee name	Country of incorporation	Effective ownership interests as at 31 March 2022	Activities
GFH Capital Limited	United Arab Emirates	100%	Investment management
GFH Capital S.A.	Saudi Arabia	100%	Investment management
Khaleeji Commercial Bank BSC ('KHCB')	Kingdom of Bahrain	81.17%	Islamic retail bank
Al Areen Project companies		100%	Real estate development
GBCORP BSC (c) (GBCORP)		62.91%	Islamic investment firm
Residential South Real Estate Development Company (RSRED)		100%	Real estate development
Athena Private School for Special Education WLL		100%	Educational institution
Gulf Holding Company KSCC	State of Kuwait	53.63%	Investment in real estate
Roebuck A M LLP	United Kingdom	60%	Property asset management Company

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

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

Under this program certain real estate and infrastructure assets as well as certain investments in securities, equity accounted investees and subsidiaries have been transferred from the Group to Infracorp for an in-kind consideration in the form of Sukuk and/ or equity shares issued by Infracorp. A majority stake of 60% in Infracorp was divested during the period ended 31 March 2022. See note 21 for more details.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022**

US\$ 000's

2 Basis of preparation

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

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

These condensed consolidated interim financial information are reviewed and not audited. The condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the Group's last audited consolidated financial statements for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements as at and for the year ended 31 December 2021.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's last audited consolidated financial statements as at and for the year ended 31 December 2021, except those arising from adoption of the following standards and amendments to standards effective from 1 January 2022. The impact of adoption of these standards and amendments is set out below.

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022**

US\$ 000's

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

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

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

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

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

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

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

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022**

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 2021.

Russia-Ukraine conflict

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

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, indirect impact is pervasive in the market and at this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any. During the quarter ended 31 March 2022, the Group's investment portfolio reduced in market value by US\$ 42,889 for investments carried as FVTE and US\$ 8,509 for investments carried as FVTPL due to volatile market movements. However, the Group does not trade in such securities and does not expect to liquidate any of its market portfolio in short term.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2022

US\$ 000's

5 Financial risk management

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

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

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

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

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

As at 31 March 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	1,062,118	-	-	51,603	1,113,721
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	172,042	31,482	3,764	197,112
6	Less stable deposits	-	1,170,922	444,681	110,204	1,564,247
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	2,680,912	1,010,893	825,859	1,939,245
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	473,834	19,605	93,700	93,700
13	Total ASF					4,908,025
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	1,612,213				85,050
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:	-	625,155	-	747,977	729,554
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	-	4,992	-	1,068,615	910,819
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:	-	293,863	142,118	215,988	358,382

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2022

US\$ 000's

5 Financial risk management (continued)

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	720,475	411,474	466,445	1,032,419
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	1,784,983	-	-	-	1,784,983
30	OBS items		-	-	-	36,062
31	Total RSF		1,644,484	553,591	2,499,025	4,937,270
32	NSFR (%)					99.44%

As at 31 December 2021

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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5 Financial risk management (continued)

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

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for the three months ended 31 March 2022

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5 Financial risk management (continued)

b. Liquidity Coverage Ratio (LCR)

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

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

	Average balance	
	31 March 2022	31 December 2021
Stock of HQLA	304,713	292,998
Net cashflows	202,146	148,599
LCR %	158%	221%
Minimum required by CBB	80%	80%

c. Capital Adequacy Ratio

	31 March 2022	31 December 2021
CET 1 Capital before regulatory adjustments	1,062,118	1,063,515
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	1,062,118	1,063,515
T 2 Capital adjustments	51,603	53,374
Regulatory Capital	1,113,721	1,116,889
Risk weighted exposure:		
Credit Risk Weighted Assets	6,735,161	7,574,496
Market Risk Weighted Assets	39,250	38,325
Operational Risk Weighted Assets	655,034	655,034
Total Regulatory Risk Weighted Assets	7,429,445	8,267,855
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	7,429,440	8,267,850
Capital Adequacy Ratio (CAR)	14.99%	13.51%
Tier 1 Capital Adequacy Ratio	14.30%	12.86%
Minimum CAR required by CBB	12.50%	12.50%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022

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6 Seasonality

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

7 Comparatives

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

8 Appropriations

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

In the shareholders meeting held on 3 April 2022, the following were approved:

- a) Cash dividend of 4.57% of the paid-up share capital amounting to US\$ 45,000;
- b) Stock dividend of 1.5% of the paid-up share capital amounting to US\$ 15,000;
- c) Appropriation of US\$ 1,483 towards charity, civil society institutions and Zakat
- d) Transfer of US\$ 8,422 to statutory reserve; and,
- e) Board remuneration of US\$ 2,400.

The above transactions will be affected in the condensed consolidated interim financial information for the six month period ended 30 June 2022.

9 Treasury portfolio

	31 March 2022 (reviewed)	31 December 2021 (audited)	31 March 2021 (reviewed)
Placements with financial institutions	83,592	180,000	165,034
Equity type investments			
<i>At fair value through income statement</i>			
- Structured notes*	339,154	403,986	370,830
Debt type investments			
<i>At fair value through equity*</i>			
- Quoted sukuk	929,507	1,656,088	774,742
<i>At amortised cost</i>			
- Quoted sukuk *	1,818,172	860,616	714,013
- Unquoted sukuk	3,486	3,486	3,493
Less: Impairment allowances	(12,853)	(14,251)	(6,880)
	3,161,058	3,089,925	2,021,232

* Short-term and medium-term facilities of US\$ 1,502,378 thousand (31 December 2021: US\$ 1,417,800 thousand) are secured by quoted sukuk of US\$ 2,094,107 thousand (31 December 2021: US\$ 2,070,315 thousand), structured notes of US\$ 339,154 thousand (31 December 2021: US\$ 403,986 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the three months ended 31 March 2022**

US\$ 000's

9. Treasury portfolio (Continue)

During the quarter, based on completion of the Group re-organization and on review of the over all market conditions, the Bank has re-assessed objective of a business model in which an asset is held at a portfolio level based what best reflects the way the business is managed and information is provided to management. It reassessed its objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets. As part of this reassessment the Bank identified a portion of its portfolio of certain debt securities are held by the Group Central Treasury into a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent mostly due to credit deterioration. Based on this reassessment, the Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Erstwhile these securities were held in portfolio to meet business liquidity needs i.e. held to collect contractual cash flows and sell wherein investment strategy often resulted in sales activity.

The above is deemed to be a significant change in business model on how these identified securities are managed. Due to a change in the business model the Bank has reclassified these identified securities from FVTE to Investments at amortised cost. The impact of this reclassification due to business model change is set out below:

Fair Value Through Equity (FVTE)	Transfer from Investment Fair Value Reserve	Value as per Amortised Cost
894,194	41,320	935,514

10 Financing assets

	31 March 2022 (reviewed)	31 December 2021 (audited)	31 March 2021 (reviewed)
Murabaha	1,072,464	995,324	955,882
Musharaka	-	-	277
Wakala	239	239	239
Mudharaba	11,129	2,576	2,650
Istisnaa	-	-	4,047
Assets held-for-leasing	430,163	384,312	356,535
	1,513,995	1,382,451	1,319,630
Less: Impairment allowances	(73,128)	(71,449)	(59,839)
	1,440,867	1,311,002	1,259,791

Murabaha financing receivables are net of deferred profits of US\$ 54,072 thousands (31 December 2021: US\$ 46,130 thousands).

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

Financing assets	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,285,165	117,318	111,512	1,513,995
Expected credit loss	(22,613)	(5,276)	(45,239)	(73,128)
Financing assets (net)	1,262,552	112,042	66,273	1,440,867

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2022

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10. Financing assets (Continued)

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	19,888	7,119	44,442	71,449
Net movement between stages	1,872	(1,326)	(546)	-
Net charge for the period	853	(517)	1,343	1,679
At 31 March 2022	22,613	5,276	45,239	73,128

Financing assets	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,015,846	251,510	115,095	1,382,451
Expected credit loss	(19,888)	(7,119)	(44,442)	(71,449)
Financing assets (net)	995,958	244,391	70,653	1,311,002

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	21,173	6,255	28,926	56,354
Net movement between stages	(79)	674	(595)	-
Net charge for the period	(4,610)	1,416	6,679	3,485
At 31 March 2021	16,484	8,345	35,010	59,839

11. Investment in real estate

	31 March 2022 (reviewed)	31 December 2021 (audited)	31 March 2021 (reviewed)
Investment Property			
- Land	472,352	529,076	481,315
- Building	155,758	63,758	63,757
	628,110	592,834	545,072
Development Property			
- Land	100,385	592,926	767,640
- Building	345,950	719,838	507,971
	446,335	1,312,764	1,275,611
	1,074,445	1,905,598	1,820,683

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2022

US\$ 000's

12. Proprietary investments

	31 March 2022 (reviewed)	31 December 2021 (audited)	31 March 2021 (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Unlisted fund	10,000	10,000	10,000
- Structured notes	41,539	41,197	-
	51,539	51,197	10,000
<i>At fair value through equity</i>			
- Listed securities	13	13	13
- Unquoted securities	992,536	91,425	87,484
	992,549	91,438	87,497
Equity-accounted investees	121,217	69,003	76,977
	1,165,305	211,638	174,474

13. Co-investments

	31 March 2022 (reviewed)	31 December 2021 (audited)	31 March 2021 (reviewed)
<i>At fair value through equity</i>			
- Unquoted securities	108,738	164,547	115,189
<i>At fair value through income statement</i>			
- Unquoted securities	10,630	7,330	5,260
	119,368	171,877	120,449

14. Term financing

	31 March 2022 (reviewed)	31 December 2021 (audited)	31 March 2021 (reviewed)
Murabaha financing	1,665,655	1,449,852	880,104
Sukuk	245,062	250,943	322,271
Ijarah financing	19,484	20,093	21,867
Other borrowings	1,637	29,779	28,962
	1,931,838	1,750,667	1,253,204

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022

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15. Impairment allowances

	Three months ended	
	31 March 2022	31 March 2021
	(reviewed)	(reviewed)
Expected credit loss on:		
Bank balances	25	7
Treasury portfolio	(1,398)	1,215
Financing assets, net (note 10)	1,679	3,485
Other receivables	1,077	25
	1,383	4,732
Impairment on investment in equity securities	2	468
	1,385	5,200

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16. Related party transactions

The significant related party balances and transactions as at 31 March 2022 are given below:

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
31 March 2022 (reviewed)					
Assets					
Financing assets	-	8,777	34,413	17,429	60,619
Proprietary investments	1,224,561	-	10,328	13,005	1,247,894
Co-investments	-	-	-	102,720	102,720
Receivables and prepayments	9,729	48	300	175,099	185,176
Liabilities					
Placements from financial, non-financial institutions and individuals	-	3,907	29	-	3,936
Customer accounts	2,721	2,865	10,392	-	15,978
Payables and accruals	-	2,499	-	374,919	377,418
Equity of investment account holders	1,095	1,058	219,340	775	222,268
Income					
Income from Investment banking	(769)	-	-	24,679	23,910
Income from commercial banking	-	-	-	-	-
- <i>Income from financing</i>	-	456	759	-	1,215
- <i>Less: Return to investment account holders</i>	(8)	(5)	(1,740)	(3)	(1,756)
- <i>Less: Finance expense</i>	-	(37)	-	-	(37)
Income from proprietary and co-investments	-	-	-	9,474	9,474
Treasury and other income	-	-	-	318	318
Real estate income	-	3,020	-	-	3,020
Expenses					
Operating expenses	-	2,296	-	-	2,296

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2022

US\$ 000's

16 Related party transactions (continued)

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
31 December 2021 (audited)					
Assets					
Treasury portfolio	-	-	37,148	-	37,148
Financing assets	-	7,817	33,407	16,482	57,706
Proprietary investments	114,387	-	20,328	48,011	182,726
Co-investments	-	-	-	76,794	76,794
Receivables and prepayments	8,060	623	300	171,559	180,542
Liabilities					
Placements from financial, non-financial institutions and individuals	-	4,430	-	-	4,430
Customer accounts	1,488	366	10,517	64	12,435
Payables and accruals	-	2,688	1,528	33,678	37,894
Equity of investment account holders	1,088	355	54,276	772	56,491
31 March 2021 (reviewed)					
Income					
Income from Investment banking	-	-	-	17,590	17,590
Income from commercial banking					
- <i>Income from financing</i>	-	212	1,106	-	1,318
- <i>Fee and other income</i>	(1,170)	-	5	-	(1,165)
- <i>Less: Return to investment account holders</i>	(19)	-	(2,560)	-	(2,579)
- <i>Less: Finance expense</i>	-	(122)	(772)	-	(894)
Income from proprietary and co-investments	(37)	-	8,017	5,310	13,290
Treasury and other income	-	-	656	316	972
Expenses					
Operating expenses	-	7,825	-	24	7,849
Transactions during the period					
Sale of proprietary investment	-	-	27,063	62,002	89,065

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, investment banking, commercial banking and corporate and treasury.

	Investment banking	Commercial banking	Real estate development	Corporate and treasury	Total
31 March 2022 (reviewed)					
Segment revenue	24,679	19,751	3,060	43,324	90,814
Segment expenses	(17,631)	(10,581)	(2,633)	(40,620)	(71,465)
Segment result	7,048	9,170	427	2,704	19,349
Segment assets	1,030,727	3,268,413	930,455	2,888,145	8,117,740
Segment liabilities	881,070	1,286,575	25,360	3,429,855	5,622,860
<i>Other segment information</i>					
Impairment allowance	(337)	1,678	-	44	1,385
Proprietary investments (<i>Equity-accounted investees</i>)	-	35,484	5,733	80,000	121,217
Equity of investment account holders	-	1,307,214	-	92,845	1,400,059
Commitments	-	163,404	15,843	-	179,247

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

	Investment banking	Commercial banking	Real estate development	Corporate and treasury	Total
31 March 2021 (reviewed)					
Segment revenue	17,590	17,172	4,578	51,049	90,389
Segment expenses	(18,267)	(11,568)	(5,848)	(35,367)	(71,050)
Segment result	(677)	5,604	(1,270)	15,682	19,339
Segment assets	1,080,716	2,943,164	1,766,898	1,252,292	7,043,070
Segment liabilities	612,067	1,221,280	253,181	2,421,084	4,507,612
<i>Other segment information</i>					
Impairment allowance	912	3,506	-	782	5,200
Proprietary investments (<i>Equity-accounted investees</i>)	18,295	52,980	5,702	-	76,977
Equity of investment account holders	-	1,071,630	-	269,682	1,341,312
Commitments	-	149,387	35,705	-	185,092

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 2022 US\$ 000's (reviewed)	31 December 2021 US\$ 000's (audited)	31 March 2021 US\$ 000's (reviewed)
Undrawn commitments to extend finance	124,374	95,347	106,995
Financial guarantees	38,632	39,995	48,066
Capital commitment for infrastructure development projects	14,502	16,171	21,617
Commitment to lend	1,739	3,915	8,414
	179,247	155,428	185,092

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 31 March 2022 due to the performance of any of its projects.

Litigations, claims and contingencies

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

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.

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19 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.

	31 March 2022 (reviewed)		31 March 2021 (reviewed)	
	Profit or loss	FVTE	Profit or Loss	FVTE
Equity instruments- marketability factor ($\pm 10\%$)	$\pm 1,063$	$\pm 20,274$	± 526	$\pm 20,267$
Structure notes- impact in underlying index ($\pm 5\%$)	$\pm 16,958$	-	$\pm 18,542$	-

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US\$ 000's

19 Financial instruments (continued)

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

31 March 2022 (reviewed)	Level 1	Level 2	Level 3	Total
<i>i) Proprietary investments</i>				
Investment securities carried at fair value through:				
- income statement	-	51,539	-	51,539
- equity	900,013	-	92,536	992,549
	900,013	51,539	92,536	1,044,088
<i>ii) Treasury portfolio</i>				
Investment securities carried at fair value through:				
- income statement	-	-	339,154	339,154
- equity	929,507	-	-	929,507
	929,507	-	339,154	1,268,661
<i>iii) Co-investments</i>				
Investment securities carried at fair value through:				
- equity	-	-	108,738	108,738
- income statement	-	-	10,630	10,630
	-	-	119,368	119,368
	1,829,520	51,539	551,058	2,432,117
31 December 2021 (Audited)	Level 1	Level 2	Level 3	Total
<i>i) Proprietary investments</i>				
Investment securities carried at fair value through:				
- income statement	-	51,197	-	51,197
- equity	13	-	91,425	91,438
	13	51,197	91,425	142,635
<i>ii) Treasury portfolio</i>				
Investment securities carried at fair value through:				
- income statement	-	224,086	179,900	403,986
- equity	1,656,088	-	-	1,656,088
	1,656,088	224,086	179,900	2,060,074
<i>iii) Co-investments</i>				
Investment securities carried at fair value through:				
- equity	-	-	164,547	164,547
- income statement	-	-	7,330	7,330
			171,877	171,877
	1,656,101	275,283	443,202	2,374,586

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19 *Financial instruments (continued)*

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

	31 March 2022 (reviewed)	31 December 2021 (audited)
At beginning of the period	443,203	390,567
Transfer from Level 2	159,254	24,650
Disposals at carrying value	(58,878)	(27,531)
Purchases	15,988	69,129
Fair value changes during the period	(8,509)	(13,612)
At end of the period	551,058	443,203

20. ASSETS UNDER MANAGEMENT AND CUSTODIAL ASSETS

1. 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\$ 5,734 million (31 December 2021: US\$ 5,297 million). During the period, the Group had charged management fees amounting to US\$ 989 thousands (31 March 2021: US\$ 805 thousands) to its assets under management.

2. Custodial assets comprise of discretionary portfolio management ('DPM') accepted from investors amounting to US\$ 594,906 thousands out of which US\$ 502,667 thousands has been invested to the Bank's own investment products. Further, the Bank is also holding Sukuk of US\$ 16,033 thousands on behalf of the investors.

21. DECONSOLIDATION OF SUBSIDIARIES

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

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

The transfer of these assets were affected in the quarter ended 31 March 2022. Subsequent to the transfer of these assets GFH sold 60% of its equity in Infracorp to third party investors, resulting in loss of controlling stake and this resulted in Infracorp no longer being a subsidiary of GFH as at 31 March 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:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2022

US\$ 000's

21. DECONSOLIDATION OF SUBSIDIARIES (continued)

	31 March 2022 (reviewed)
ASSETS	
Cash and bank balances	80,119
Treasury portfolio	50,912
Financing assets	38,100
Real estate investment	847,221
Proprietary investment	67,861
Co-Investments	120,735
Receivables & prepayments	87,645
Property and equipments	81,200
Total	1,373,793
LIABILITIES	
Term financing	24,467
Payables and accruals	108,032
Total	132,499
Non-controlling interest	141,294
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
	31 March 2022 (reviewed)
Net profit for three months ended 31 March 2022 included in the Condensed Consolidated Income statement	(438)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2022

US\$ 000's

A. Results of discontinued operation

	31 March 2022	31 March 2021
Revenue	5,391	5,226
Expenses	5,347	5,305
Net profit	44	(79)

B. Cash flows used in discontinued operation

	31 March 2022	31 March 2021
Net cash flow from operating activities	182	(863)
Net cash flow used in investing activities	(317)	(1)
Net cash flow from financing activities	3	266
Net cash flows used in discontinued operation	(132)	(598)

C. Effect of disposal on the financial position of the Group

	31 March 2022	31 December 2021
Property, plant and equipment	75,704	76,019
Inventories	6,767	5,895
Trade and other receivables	18,021	18,289
Cash and cash equivalents	2,397	2,528
Total liabilities and borrowings	(48,419)	(48,305)
Net assets	54,470	54,426