

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 SEPTEMBER 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 Mohd Rafi Mohd Saeed Alrafi, <i>Vice Chairman</i> Jassim Al Seddiqi, <i>(Resigned wef 04 April 2022)</i> Hisham Ahmed Alrayes Rashid Nasser Al Kaabi Ali Murad Ahmed Abdulhamid AlAhmadi, <i>(Resigned wef 07 June 2022)</i> Alia Al Falasi Fawaz Talal Al Tamimi Darwish Al Ketbi Yusuf Abdulla Taqi, <i>(Appointed wef 19 June 2022)</i>
Chief Executive Officer	:	Hisham Ahmed Alrayes
Auditors	:	KPMG Fakhro

GFH FINANCIAL GROUP BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION for the nine months ended 30 September 2022

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

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

Introduction

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

- the condensed consolidated statement of financial position as at 30 September 2022;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2022;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2022; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information.

9 November 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

US\$ 000's

	Note	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
ASSETS				
Cash and bank balances		550,978	722,471	479,444
Treasury portfolio	8	3,749,371	3,090,049	2,726,882
Financing assets	9	1,473,711	1,311,002	1,275,680
Investment in real estate	10	1,270,291	1,905,598	1,851,407
Proprietary investments	11	1,108,063	211,514	172,148
Co-investments	12	135,334	171,877	135,813
Receivables and other assets	13	642,925	531,488	655,455
Property and equipment		73,679	139,687	138,134
Total assets		9,004,352	8,083,686	7,434,963
LIABILITIES				
Clients' funds		84,010	216,762	132,610
Placements from financial, non-financial institutions and individuals		4,154,673	3,052,092	2,947,392
Customer current accounts		157,589	133,046	130,977
Term financing	14	1,957,119	1,750,667	1,311,877
Other liabilities		539,479	404,654	485,554
Total liabilities		6,892,870	5,557,221	5,008,410
Total equity of investment account holders		1,090,593	1,358,344	1,218,909
OWNERS' EQUITY				
Share capital		1,015,638	1,000,638	1,000,638
Treasury shares		(99,788)	(48,498)	(35,779)
Statutory reserve		27,970	27,970	24,058
Investment fair value reserve		(75,070)	(28,561)	(13,717)
Foreign currency translation reserve		-	(70,266)	(53,762)
Retained earnings		86,661	81,811	44,422
Share grant reserve		-	-	1,093
Total equity attributable to shareholders of the Bank		955,411	963,094	966,953
Non-controlling interests		65,478	205,027	240,691
Total owners' equity		1,020,889	1,168,121	1,207,644
Total liabilities, equity of investment account holders and owners' equity		9,004,352	8,083,686	7,434,963

The Board of Directors approved the condensed consolidated interim financial information on 09 November 2022 and signed on its behalf by:



Ghazi Faisal Ebrahim Alhajeri
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

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

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2022

US\$ 000's

	Note	Nine months ended		Three months ended	
		30 September 2022 (reviewed)	30 September 2021 (reviewed)	30 September 2022 (reviewed)	30 September 2021 (reviewed)
Investment banking income					
Asset management		5,885	2,354	2,301	755
Deal related income		67,838	55,786	26,324	22,648
		73,723	58,140	28,625	23,403
Commercial banking income					
Income from financing		68,435	58,842	25,460	19,058
Treasury and investment income		43,953	46,292	17,336	12,968
Fee and other income		2,979	4,021	1,019	1,765
Less: Return to investment account holders		(28,626)	(23,950)	(9,988)	(7,856)
Less: Finance expense		(28,285)	(26,716)	(12,230)	(9,159)
		58,456	58,489	21,597	16,776
Income from proprietary and co-investments					
Income from sale of assets		12,643	12,268	10,711	4,922
Leasing and operating income		13,859	4,135	6,594	2,001
Direct investment income, net		3,451	14,405	204	440
Share of profit from equity-accounted investees		19,281	(61)	8,781	(16)
Dividend from co-investments		24,583	10,445	8,718	5,433
		73,817	41,192	35,008	12,780
Treasury and other income					
Finance and treasury portfolio income, net		74,387	89,607	22,283	30,710
Other income, net		13,495	23,179	3,602	5,928
		87,882	112,786	25,885	36,638
Total income		293,878	270,607	111,115	89,597
Operating expenses		83,971	86,638	24,406	26,877
Finance expense		138,151	98,252	57,460	34,856
Impairment allowances	15	281	17,441	3,150	3,733
Total expenses		222,403	202,331	85,016	65,466
Profit for the period		71,475	68,276	26,099	24,131
Attributable to:					
Shareholders of the Bank		66,235	60,340	24,055	23,296
Non-controlling interests		5,240	7,936	2,044	835
		71,475	68,276	26,099	24,131
Earnings per share					
Basic and diluted earnings per share (US cents)	16	1.91	1.76	0.73	0.68



Ghazi Faisal Ebrahim Alhajeri
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2022

US\$ 000's

	Attributable to shareholders of the Bank						Non-Controlling Interests (NCI)	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings			Total
30 September 2022 (reviewed)									
Balance at 1 January 2022	1,000,638	(48,498)	27,970	(28,561)	(70,266)	81,811	963,094	205,027	1,168,121
Profit for the period	-	-	-	-	-	66,235	66,235	5,240	71,475
Transfer on reclassification from FVTE to amortised cost (Note 8)	-	-	-	41,320	-	-	41,320	-	41,320
Fair value changes during the period	-	-	-	(85,315)	-	-	(85,315)	(3,072)	(88,387)
Transfer to income statement on disposal of sukuk	-	-	-	(2,514)	-	-	(2,514)	-	(2,514)
Total recognised income and expense	-	-	-	(46,509)	-	66,235	19,726	2,168	21,894
Bonus shares issued	15,000	-	-	-	-	(15,000)	-	-	-
Dividend declared	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Purchase of treasury shares	-	(83,177)	-	-	-	-	(83,177)	-	(83,177)
Transfer to zakah and charity fund	-	-	-	-	-	(1,483)	(1,483)	-	(1,483)
Sale of treasury shares	-	31,887	-	-	-	98	31,985	-	31,985
Transferred to income statement on deconsolidation of subsidiaries	-	-	-	-	70,266	-	70,266	-	70,266
Adjusted on deconsolidation of subsidiaries (Note 22)	-	-	-	-	-	-	-	(142,080)	(142,080)
Additional NCI on acquisition of subsidiary (Note 23)	-	-	-	-	-	-	-	363	363
Balance at 30 September 2022	1,015,638	(99,788)	27,970	(75,070)	-	86,661	955,411	65,478	1,020,889

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

for the nine months ended 30 September 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
30 September 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	-	-	-	-	-	60,340	-	60,340	7,936	68,276
Fair value changes during the period	-	-	-	2,693	-	-	-	2,693	439	3,132
Transfer to income statement on disposal of sukuk	-	-	-	(22,003)	-	-	-	(22,003)	-	(22,003)
Total recognised income and expense	-	-	-	(19,310)	-	60,340	-	41,030	8,375	49,405
Bonus Shares issued for 2020	25,000	-	-	-	-	(25,000)	-	-	-	-
Dividends declared for 2020	-	-	-	-	-	(17,000)	-	(17,000)	-	(17,000)
Transfer to zakah and charity fund	-	-	-	-	-	(1,572)	-	(1,572)	(142)	(1,714)
Transfer to statutory reserve	-	-	4,510	-	-	(4,510)	-	-	-	-
Purchase of treasury shares	-	(26,777)	-	-	-	-	-	(26,777)	-	(26,777)
Sale of treasury shares	-	54,977	-	-	-	4,092	-	59,069	-	59,069
Foreign currency translation differences	-	-	-	-	(6,815)	-	-	(6,815)	(2,022)	(8,837)
Acquisition of NCI without a change in control (Note 20)	-	-	-	-	-	7,783	-	7,783	(38,253)	(30,470)
Balance at 30 September 2021	1,000,638	(35,779)	24,058	(13,717)	(53,762)	44,422	1,093	966,953	240,691	1,207,644

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2022

US\$ 000's

	30 September 2022 (reviewed)	30 September 2021 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	71,475	68,276
Adjustments for:		
Income from commercial banking	(43,135)	(45,959)
Income from proprietary investments	(73,817)	(24,789)
Income from dividend and gain on treasury investments	(77,273)	(129,189)
Foreign exchange (gain)	(9,911)	(1,505)
Finance expense	138,151	124,967
Impairment allowances	281	17,441
Depreciation and amortisation	1,317	3,533
	7,088	12,775
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	(270,415)	(96,339)
Financing assets	(162,709)	(8,414)
Other assets	(265,250)	(53,684)
CBB Reserve and restricted bank balance	(10,876)	(13,342)
Clients' funds	(132,752)	1,675
Placements from financial and non-financial institutions	1,102,581	529,392
Customer current accounts	24,543	(9,779)
Equity of investment account holders	(267,751)	61,916
Payables and accruals	99,160	20,516
Net cash generated from operating activities	123,619	444,716
INVESTING ACTIVITIES		
Payments for purchase of equipment	(443)	(1,054)
Purchase of proprietary investment securities, net	(44,662)	32,020
Purchase of treasury portfolio, net	(319,498)	(730,773)
Cash acquired on acquisition of a subsidiary	1,353	-
Proceeds from sale of investment in real estate	-	1,061
Cash paid on acquisition of a subsidiary	(9,205)	-
Dividends received from proprietary investments and co-investments	26,817	14,154
Advance paid for development of real estate	(8,367)	(6,688)
Net cash used in investing activities	(354,005)	(691,280)
FINANCING ACTIVITIES		
Financing liabilities, net	244,577	222,800
Finance expense paid	(134,724)	(116,618)
Purchase of GFH sukuk, net	(8,135)	-
Dividends paid	(44,651)	(17,485)
Purchase of treasury shares, net	(51,287)	28,200
Net cash generated from financing activities	5,780	116,897
Net decrease in cash and cash equivalents during the period	(224,606)	(129,667)
Cash and cash equivalents at 1 January	844,344	655,455
Cash and cash equivalents at 30 September	619,738	525,788
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB Reserve balance and restricted cash)	482,020	421,631
Placements with financial institutions (original maturities of 3 months or less)	137,718	104,157
	619,738	525,788

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2022

30 September 2022 (reviewed)

Company	Balance at 1 January 2022			Movements during the period					Balance at 30 September 2022			
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/(withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Mena Real Estate Company KSCC	150	0.33	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.87	94	-	-	-	-	-	-	12	7.87	94
Safana Investment (RIA 1)	1247	2.65	3,305	-	-	-	-	-	-	1247	2.65	3,305
Shaden Real Estate Investment WLL (RIA 5)	269	2.65	713	-	-	-	-	-	-	269	2.65	713
			4,162	-	-	-	-	-	-			4,162

30 September 2021 (reviewed)

Company	Balance at 1 January 2021			Movements during the period					Balance at 30 September 2021			
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/(withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Mena Real Estate Company KSCC	150	0.33	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.91	95	(2)	-	-	-	-	-	12	7.91	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	1.00	2,633	(45)	5	119	-	-	-	2,633	1.03	2,712
			28,451	(47)	5	119	-	-	-			28,530

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

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

US\$ 000's

	30 September 2022 (reviewed)	30 September 2021 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	2,548	1,714
Non-Islamic income	51	30
Total sources	2,599	1,744
Uses of zakah and charity fund		
Contributions to charitable organisations	(1,890)	(1,911)
Total uses	(1,890)	(1,911)
Surplus / (deficit) of sources over uses	709	(167)
Undistributed zakah and charity fund at beginning of the period	5,192	5,346
Undistributed zakah and charity fund at end of the period	5,901	5,179
Represented by:		
Zakah payable	753	1,013
Charity fund	5,148	4,166
	5,901	5,179

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022**

US\$ 000's

1 Reporting entity

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

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

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

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

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

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

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

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for the nine months ended 30 September 2022**

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4 Estimates and judgements

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2021.

Russia-Ukraine conflict

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

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, indirect impact is pervasive in the market and at this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any. During the period ended 30 September 2022, the Group's investment portfolio reduced in market value by US\$ 85,315 thousand for investments carried as FVTE and US\$ 37,753 thousand for investments carried as FVTPL due to volatile market movements. However, the Group does not trade in such securities and does not expect to liquidate any of its market portfolio in short term.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

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5 Financial risk management

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

Regulatory ratios
a. Net stable funding Ratio (NSFR)

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

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

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

As at 30 September 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	997,943			46,501	1,044,444
3	Other Capital Instruments					
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		166,869	14,517	19,248	191,565
6	Less stable deposits		1,337,336	370,139	231,057	1,767,783
7	Wholesale funding:					
8	Operational deposits					
9	Other Wholesale funding		3,107,783	1,207,584	1,093,578	2,354,639
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities					
12	All other liabilities not included in the above categories		365,804		44,576	44,576
13	Total ASF					5,403,007
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	1,668,845				80,767
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and sukuk/ securities:		1,009,668		785,258	818,920
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			20,151	1,077,124	925,631
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:		286,701	99,807	280,746	375,739

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5 *Financial risk management (continued)*

No.	Item	No Specified Maturity,"	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines					
21	Performing residential mortgages, of which:					
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines					
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities		924,114	423,972	455,845	1,129,889
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	1,915,363				1,915,363
30	OBS items					40,406
31	Total RSF		2,220,483	543,930	2,598,974	5,286,714
32	NSFR (%)					102%

As at 31 December 2021

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

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for the nine months ended 30 September 2022

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5 *Financial risk management (continued)*

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

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5 *Financial risk management (continued)*

b. *Liquidity Coverage Ratio (LCR)*

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

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

	Average balance	
	30 September 2022	31 December 2021
Stock of HQLA	264,151	292,998
Net cashflows	194,780	148,599
LCR %	142%	221%
Minimum required by CBB	100%	80%

c. *Capital Adequacy Ratio*

	30 September 2022	31 December 2021
CET 1 Capital before regulatory adjustments	1,014,810	1,063,515
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	1,014,810	1,063,515
T 2 Capital adjustments	52,944	53,374
Regulatory Capital	1,067,754	1,116,889
Risk weighted exposure:		
Credit Risk Weighted Assets	7,478,848	7,574,496
Market Risk Weighted Assets	35,956	38,325
Operational Risk Weighted Assets	655,034	655,034
Total Regulatory Risk Weighted Assets	8,170,839	8,267,855
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	8,170,834	8,267,850
Capital Adequacy Ratio (CAR)	13.07%	13.51%
Tier 1 Capital Adequacy Ratio	12.42%	12.86%
Minimum CAR required by CBB	12.50%	12.50%

6 **Seasonality**

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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7 Comparatives

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

8 Treasury portfolio

	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
Placements with financial institutions	408,228	180,000	207,223
Equity type investments			
<i>At fair value through equity</i>			
- Quoted sukuk	31,793	20,344	20,436
<i>At fair value through income statement</i>			
- Structured notes	315,437	403,986	443,956
Debt type investments			
<i>At fair value through equity</i>			
- Quoted sukuk	879,487	1,635,744	1,309,638
<i>At amortised cost</i>			
- Quoted sukuk *	2,125,947	860,616	751,771
- Unquoted sukuk	3,494	3,486	3,493
Less: Impairment allowances	(15,015)	(14,127)	(9,635)
	3,749,371	3,090,049	2,726,882

* Short-term and medium-term facilities of US\$ 1,671,696 thousand (31 December 2021: US\$ 1,417,800 thousand) are secured by quoted sukuk of US\$ 2,295,705 thousand (31 December 2021: US\$ 2,070,315 thousand), structured notes of US\$ 315,437 thousand (31 December 2021: US\$ 403,986 thousand).

Reclassification

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

i) *Held-to-collect business model*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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8 Treasury portfolio (continued)

ii) *Classified as fair value through P&L*

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

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

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

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

US\$ 000's			
Assets subject to reclassification	Fair value through equity (FVTE)	Reversal of amounts recognized in investment fair value reserve	Reclassified to amortised cost
Sukuk	894,194	41,320	935,514

9 Financing assets

	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
Murabaha	1,062,836	995,324	968,412
Wakala	239	239	239
Mudharaba	14,166	2,576	2,599
Assets held-for-leasing	470,017	384,312	372,769
	1,547,258	1,382,451	1,344,019
Less: Impairment allowances	(73,547)	(71,449)	(68,339)
	1,473,711	1,311,002	1,275,680

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9. Financing assets (continued)

Murabaha financing receivables are net of deferred profits of US\$ 54,817 thousands (31 December 2021: US\$ 44,979 thousands).

The movement on financing assets is as follows:

30 September 2022 (reviewed)	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,256,399	190,061	100,798	1,547,258
Expected credit loss	(24,473)	(6,058)	(43,016)	(73,547)
Financing assets (net)	1,231,926	184,003	57,782	1,473,711

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

30 September 2021 (reviewed)	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,027,826	185,082	131,111	1,344,019
Expected credit loss	(19,286)	(7,958)	(41,095)	(68,339)
Financing assets (net)	1,008,540	177,124	90,016	1,275,680

The movement on impairment allowances is as follows:

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

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

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9. Financing assets (continued)

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	20,841	6,255	28,914	56,010
Net movement between stages	1,231	398	(1,629)	-
Net charge for the period	(2,786)	1,305	14,463	12,982
Write-offs	-	-	(11)	(11)
Transfer to Off-BS ECL	-	-	(642)	(642)
At 30 September 2021 (reviewed)	19,286	7,958	41,095	68,339

10 Investment in real estate

	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
Investment Property			
- Land	518,997	529,076	481,370
- Building	221,482	63,758	64,098
	740,479	592,834	545,468
Development Property			
- Land	129,405	592,926	788,217
- Building	400,407	719,838	517,722
	529,812	1,312,764	1,305,939
	1,270,291	1,905,598	1,851,407

11 Proprietary investments

	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Structured notes	38,610	41,197	-
- Listed securities	17,254	-	-
- Unlisted fund	10,000	10,000	10,000
	65,864	51,197	10,000
<i>At fair value through equity</i>			
- Listed securities	-	13	13
- Unquoted securities *	923,009	91,425	84,409
	923,009	91,438	84,422
Equity-accounted investees *	119,383	69,003	77,726
Less: Impairment allowances	(193)	(124)	-
	1,108,063	211,514	172,148

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

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12 Co-investments

	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
<i>At fair value through equity</i>			
- Unquoted securities	124,704	164,547	128,229
<i>At fair value through income statement</i>			
- Unquoted securities	10,630	7,330	7,584
	135,334	171,877	135,813

13 Receivables and other assets

	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
Investment banking receivables	198,868	148,985	156,255
Financing to projects, net	47,727	42,383	43,428
Receivable on sale of development properties	-	59,914	14,296
Advances and deposits	106,360	58,222	92,432
Employee receivables	16,725	18,898	33,244
Profit on sukuk receivable	17,863	17,273	26,907
Lease rentals receivable	4,974	2,175	355
Prepayments and other receivables	255,432	194,313	293,407
Less: Impairment allowances net of write-off	(5,024)	(10,675)	(4,869)
	642,925	531,488	655,455

14 Term financing

	30 September 2022 (reviewed)	31 December 2021 (audited)	30 September 2021 (reviewed)
Murabaha financing *	1,699,286	1,449,852	896,150
Sukuk **	238,030	250,943	276,271
Ijarah financing	18,235	20,093	109,964
Other borrowings	1,568	29,779	29,492
	1,957,119	1,750,667	1,311,877

** Murabaha financing comprise:*

Short-term and medium-term facilities of US\$ 1,671,696 thousand (31 December 2021: US\$ 1,417,800 thousand) are secured by quoted sukuk of US\$ 2,295,705 thousand (31 December 2021: US\$ 2,070,315 thousand), structured notes of US\$ 315,437 thousand (31 December 2021: US\$ 403,986 thousand).

*** Sukuk*

During 2020, the Group raised US\$ 500,000 thousand through issuance of unsecured sukuk certificates with a profit rate of 7.5% p.a. repayable by 2025. The Bank has repurchased cumulative sukuk of US\$ 264,921 thousand during the year ended 31 December 2020 and 2021 and the period ended 30 September 2022. The outstanding sukuk also includes accrued profit of US\$ 3,514 thousand.

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15 Impairment allowances

	Nine months ended	
	30 September 2022 (reviewed)	30 September 2021 (reviewed)
Expected credit loss on:		
Bank balances	(15)	(2)
Treasury portfolio	888	3,531
Financing assets, net (note 9)	5,035	13,078
Other receivables	(5,651)	(248)
Commitments and financial guarantees	(46)	393
Impairment on investment in equity securities	70	689
	281	17,441

16 Earnings per share

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

	Nine months ended		Three months ended	
	30 September 2022 (reviewed)	30 September 2021 (reviewed)	30 September 2022 (reviewed)	30 September 2021 (reviewed)
Profit for the period attributable to shareholders of the Bank	66,235	60,340	24,055	23,296
Weighted average number of shares outstanding during the period (in thousands)	3,460,779	3,430,821	3,300,757	3,406,213
Basic and diluted earning per share (US Cents)	1.91	1.76	0.73	0.68

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17 Related party transactions

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

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
30 September 2022 (reviewed)					
Assets					
Cash and bank balances	-	-	-	13,350	13,350
Treasury portfolio	-	-	-	70,934	70,934
Financing assets	-	8,048	39,538	17,429	65,015
Proprietary investments	981,517	-	149,748	11,252	1,142,517
Co-investments	-	-	5,430	118,685	124,115
Receivables and prepayments	84,378	17,007	1,021	215,122	317,528
Liabilities					
Placements from financial, non-financial institutions and individuals	-	3,403	-	6,793	10,196
Customer accounts	2,406	2,265	2,589	14,523	21,783
Payables and accruals	87,746	2,715	-	142,650	233,111
Equity of investment account holders	37,792	671	32,657	38,786	109,906
Income					
Income from Investment banking	-	-	-	73,723	73,723
Income from commercial banking					
- <i>Income from financing</i>	-	443	944	-	1,387
- <i>Fee and other income</i>	-	-	-	-	-
- <i>Less: Return to investment account holders</i>	(21)	(11)	(5,546)	(11)	(5,589)
- <i>Less: Finance expense</i>	-	(66)	(1,390)	-	(1,456)
Income from proprietary and co-investments	16,872	-	-	37,431	54,303
Treasury and other income	-	-	2,873	2,468	5,341
Real estate income	-	-	-	-	-
Expenses					
Operating expenses					
- Staff cost	-	(6,191)	-	-	(6,191)
Finance cost	-	(531)	-	(4,605)	(5,136)

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17 *Related party transactions (continued)*

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
31 December 2021 (audited)					
Assets					
Cash and bank balance	-	-	-	14,725	14,725
Treasury portfolio	-	-	37,148	-	37,148
Financing assets	-	7,817	33,407	16,482	57,706
Proprietary investments	114,387	-	20,328	48,011	182,726
Co-investments	-	-	-	76,794	76,794
Receivables and prepayments	8,060	623	300	171,559	180,542
Liabilities					
Placements from financial, non-financial institutions and individuals	-	4,430	-	231,117	235,547
Customer accounts	1,488	366	872	14,725	17,451
Payables and accruals	-	2,688	1,528	33,678	37,894
Equity of investment account holders	1,088	355	54,276	772	56,491
30 September 2021 (reviewed)					
Income					
Income from Investment banking	-	-	-	53,040	53,040
Income from commercial banking					
- <i>Income from financing</i>	-	310	2,332	-	2,642
- <i>Fee and other income</i>	(1,915)	-	-	698	(1,217)
- <i>Less: Return to investment account holders</i>	24	3	5,111	13	5,151
- <i>Less: Finance expense</i>	-	50	-	-	50
Income from proprietary and co-investments	(61)	-	8,017	15,891	23,847
Income from real estate	-	120	-	-	120
Treasury and other income	-	-	(819)	957	138
Operating expenses					
- Staff cost	-	(6,202)	-	-	(6,202)
Finance Cost	-	-	(743)	(117)	(860)

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18 Segment reporting

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

30 September 2022 (reviewed)

	Investment banking	Commercial banking	Corporate and treasury	Total
Segment revenue	73,723	58,456	161,699	293,878
Segment expenses	(59,169)	(28,159)	(135,075)	(222,403)
Segment result	14,554	30,297	26,624	71,475
Segment assets	999,680	3,439,369	4,565,303	9,004,352
Segment liabilities	781,689	1,791,806	4,319,375	6,892,870
Equity of investment account holders	-	1,083,191	7,402	1,090,593
<i>Other segment information</i>				
Impairment allowance	-	4,600	(4,319)	281
<i>Proprietary investments (Equity-accounted investees)</i>	-	33,650	85,733	119,383
Commitments	56,400	154,135	25,117	235,652

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18 *Segment reporting (continued)*

	Investment banking	Commercial banking	Corporate and treasury	Total
30 September 2021 (reviewed)				
Segment revenue	58,140	58,489	153,978	270,607
Segment expenses	(40,568)	(35,126)	(126,637)	(202,331)
Segment result	17,572	23,363	27,341	68,276
Segment assets	1,067,151	2,780,492	3,587,320	7,434,963
Segment liabilities	716,567	1,148,308	3,143,535	5,008,410
Equity of investment account holders	-	1,078,062	140,847	1,218,909
<i>Other segment information</i>				
Impairment allowance	917	13,341	3,183	17,441
<i>Proprietary investments (Equity-accounted investees)</i>	18,274	53,688	5,764	77,726
Commitments	-	146,279	21,888	168,167

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19 Commitments and contingencies

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

	30 September 2022 US\$ 000's (reviewed)	31 December 2021 US\$ 000's (audited)	30 September 2021 US\$ 000's (reviewed)
Undrawn commitments to extend finance	111,363	95,347	104,459
Financial guarantees	66,866	39,995	41,820
Capital commitment for infrastructure development projects	56,890	16,171	16,974
Commitment to invest	533	3,915	4,914
	235,652	155,428	168,167

Performance obligations

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

Litigations, claims and contingencies

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

20 Financial instruments**Fair values**

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

The fair value of quoted Sukuk carried at amortised cost (net of impairment allowances) of USD 2,125,947 thousand (31 December 2021: USD 860,616 thousand) is USD 2,063,969 thousand as at 30 September 2022 (31 December 2021: USD 883,618 thousand). There are no material changes in the fair values of the Sukuk's carried at amortised cost subsequent to the reporting date until the date of signing the condensed consolidated interim financial information for the period ended 30 September 2022.

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

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

The different levels have been defined as follows:

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

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

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

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

	30 September 2022 (reviewed)		30 September 2021 (reviewed)	
	Profit or loss	FVTE	Profit or Loss	FVTE
Equity instruments- marketability factor ($\pm 10\%$)	2,788	14,771	758	21,264
Structure notes- impact in underlying index ($\pm 5\%$)	18,202	-	22,698	-

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20 *Financial instruments (continued)*

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

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

Investment securities carried at fair value through:

	Level 1	Level 2	Level 3	Total
- income statement	-	48,610	17,254	65,864
- equity	900,000	-	23,009	923,009
	900,000	48,610	40,263	988,873

ii) Treasury portfolio

Investment securities carried at fair value through:

- income statement	-	230,900	84,537	315,437
- equity	911,280	-	-	911,280
	911,280	230,900	84,537	1,226,717

iii) Co-investments

Investment securities carried at fair value through

- equity	-	-	124,704	124,704
- income statement	-	-	10,630	10,630
	-	-	135,334	135,334
	1,811,280	279,510	260,134	2,350,924

31 December 2021 (audited)

i) Proprietary investments

Investment securities carried at fair value through:

	Level 1	Level 2	Level 3	Total
- income statement	-	51,197	-	51,197
- equity	13	-	91,425	91,438
	13	51,197	91,425	142,635

ii) Treasury portfolio

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

iii) Co-investments

Investment securities carried at fair value through

- equity	-	-	164,547	164,547
- income statement	-	-	7,330	7,330
			171,877	171,877
	1,656,101	275,283	443,202	2,374,586

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20 *Financial instruments (continued)*

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

	30 September 2022 (reviewed)	31 December 2021 (audited)
At beginning of the period	443,202	390,567
Total gains / (losses) in income statement	(37,753)	(17,223)
Transfer from Level 2	(78,109)	24,650
Disposals at carrying value	(29,634)	(27,532)
Purchases	(37,572)	69,129
Fair value changes during the period	-	3,611
At end of the period	260,134	443,202

21 **Assets under management and custodial assets**

The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of US\$ 7,346 million (31 December 2021: US\$ 5,297 million). During the period, the Group had charged management fees amounting to US\$ 5,885 thousands (30 September 2021: US\$ 2,354 thousands) to its assets under management.

Assets under management includes funds under discretionary portfolio management ('DPM') accepted from investors amounting to US\$ 661,694 thousands (31 December 2021: US\$639,599 thousand) out of which US\$ 641,737 thousands (31 December 2021: US\$407,877 thousand) has been invested in to Bank's own investment products.

22 **Deconsolidation of subsidiaries**

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

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

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

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22. *Deconsolidation of subsidiaries (continued)*

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

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

Discontinuing operations:

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

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22. *Deconsolidation of subsidiaries (continued)*

A. Results of discontinued operation

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

B. Cash flows used in discontinued operation

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

23 Acquisition of subsidiaries

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

	% stake acquired	Place of incorporation	Nature of activities
SQ Topco II LLC	51%	United States	Property asset management Company
Big Sky Asset Management LLC	51%	United States	Real estate investment manager

Consideration transferred and non-controlling interests

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

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23 Acquisition of subsidiaries (continued)

Identifiable assets acquired and liabilities assumed

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

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

	Total
Intangible asset	8,350
Trade receivables	1,353
Cash and bank balances	2,045
Total assets	11,748
Accruals and other liabilities	1,722
Total liabilities	1,722
Total net identifiable assets and liabilities (A)	10,026
	Total
Consideration	9,205
Non-controlling interests recognised	821
Total consideration (B)	10,026
Goodwill / Bargain purchase (B-A)	-

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

	Total
Cash and bank balances acquired as part of business combination	1,353
Less: Cash consideration	(9,205)
Net cash flows from acquisition of subsidiaries	(7,852)

The Group has also acquired assets under management of US \$ 1,315,915 thousand along with the above acquisition. Income for the first nine months assuming the transaction was done at the beginning of the year would have been USD 1,200 thousand.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022****US\$000****24 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.