GFH Financial Group BSC
(formerly Gulf Finance House BSC)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2015

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale investment Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29th Floor Building 1398, East Tower, Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Ahmed Al Mutawa, *Chairman* Mosabah Saif Al Mautairy, *Vice Chairman* Bashar Muhammad Al Mutawa Mohammed Ali Talib Sheikh Mohammed Bin Duaij Al Khalifa Khalid Alkhazraji Faisal Abdulla Fouad Yousif Ibrahim AlGhanim
Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

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

The Board of Directors
GFH Financial Group BSC (formerly Gulf Finance House BSC)
Manama
Kingdom of Bahrain

12 August 2015

Introduction
We have reviewed the accompanying 30 June 2015 condensed consolidated interim financial information of GFH Financial Group BSC (the "Bank") (formerly Gulf Finance House BSC) and its subsidiaries (together the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2015;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2015;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2015;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2015;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2015;
- the condensed consolidated statement of changes in sources and uses of zakah and charity fund for the six-month period ended 30 June 2015; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015 US$ 000's

	note	**30 June 2015 (reviewed)**	31 December 2014 (audited) (restated)	30 June 2014 (reviewed) (restated)
ASSETS				
Cash and bank balances	11	154,230	129,938	151,628
Placements with financial institutions		177,268	248,482	207,817
Financing assets		805,848	782,628	709,619
Investment securities	12	583,944	482,596	424,488
Assets acquired for leasing		141,082	114,008	94,072
Investment properties		313,635	313,635	273,967
Development properties		127,251	131,317	161,020
Equity-accounted investees		22,217	26,901	22,064
Intangible assets		125,090	125,176	125,220
Property, plant and equipment		162,625	166,445	159,650
Other assets	13	371,618	261,116	277,275
Total assets		**2,984,808**	2,782,242	2,606,820
LIABILITIES				
Investors' funds		9,634	18,675	13,844
Placements from financial institutions, other entities and individuals	14	329,275	339,458	383,485
Customer current accounts		149,073	111,684	106,601
Financing liabilities	15	255,024	249,340	271,700
Other liabilities		187,205	149,872	185,999
Total liabilities		**930,211**	869,029	961,629
Equity of investment account holders		**963,469**	895,558	806,699
OWNERS' EQUITY				
Share capital		597,995	1,253,626	837,901
Treasury shares		(948)	(912)	(912)
Capital adjustment account		22,722	(475,582)	(229,656)
Statutory reserve		70,060	70,060	68,146
Retained earnings / (accumulated losses)		17,039	(203,608)	(205,934)
Fair value reserve		(585)	(2,366)	(49)
Share grant reserve		1,129	1,129	1,442
Foreign currency translation reserve		(842)	(780)	(471)
Total equity attributable to shareholders of the Bank		**706,570**	641,567	470,467
Non-controlling interests		384,558	376,088	368,025
Total owners' equity (page 4)		**1,091,128**	1,017,655	838,492
Total liabilities, equity of investment account holders and owners' equity		**2,984,808**	2,782,242	2,606,820

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 23 on 12 August 2015.

Ahmed Al Mutawa
Chairman

Mosabah Saif Al Mautairy
Vice Chairman

Hisham Alrayes
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2015 US$ 000's

	Six-months ended		Three-months ended	
	30 June 2015 (reviewed)	30 June 2014 (reviewed) (restated)	**30 June 2015 (reviewed)**	30 June 2014 (reviewed) (restated)
Income from investment banking services	21,022	-	9,389	-
Management and other fees	238	2,581	119	2,077
Income from placements with financial institutions	740	849	398	415
Income from financing assets and assets acquired for leasing	27,737	25,485	13,148	11,493
Share of profits of equity-accounted investees	1,838	2,635	1,010	-
Income from investment securities, net	9,877	4,187	7,635	1,902
Foreign exchange (loss) / gain, net	(1,730)	94	53	88
Other income	5,491	41,908	4,490	37,167
Total income before return to investment account holders and finance expenses	**65,213**	77,739	**36,242**	53,142
Less: Return to investment account holders	(9,263)	(12,782)	(3,902)	(5,910)
Less: Finance expense	(8,897)	(12,011)	(4,229)	(5,662)
Income from banking business	**47,053**	52,946	**28,111**	41,570
Revenue from industrial business	61,521	45,322	33,293	22,857
Less: Cost of sales	(52,971)	(37,742)	(28,726)	(19,976)
Income from industrial business	**8,550**	7,580	**4,567**	2,881
Total income	**55,603**	60,526	**32,678**	44,451
Staff cost	16,226	13,237	9,481	8,032
Investment advisory expenses	3,949	2,738	2,367	1,961
Other operating expenses	13,672	16,987	7,636	11,689
Total expenses of banking business	**33,847**	32,962	**19,484**	21,682
Other operating expenses of industrial business	5,792	2,349	3,491	331
Total expenses	**39,639**	35,311	**22,975**	22,013
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT	**15,964**	25,215	**9,703**	22,438
Less: Impairment allowances	(2,304)	(10,332)	(2,086)	(10,053)
PROFIT FOR THE PERIOD	**13,660**	14,883	**7,617**	12,385
Attributable to:				
Shareholders of the Bank	3,320	10,743	1,120	9,508
Non-controlling interests	10,340	4,140	6,497	2,877
	13,660	14,883	**7,617**	12,385
Earnings per share				
Basic earnings per share (US cents)	**0.13**	0.85	**0.05**	0.75
Diluted earnings per share (US cents)	**0.13**	0.85	**0.05**	0.75

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2015

US$ 000's

	Attributable to shareholders of the Bank										
30 June 2015 (reviewed) (restated)	**Share capital**	**Treasury shares**	**Capital adjustment account**	**Statutory reserve**	**Retained earnings / (Accumulated losses)**	**Fair value reserve**	**Share grant reserve**	**Foreign currency translation reserve**	**Total**	**Non – controlling interests**	**Total owners' equity**
Balance at 1 January 2015											
As previously reported	1,253,626	(912)	(475,582)	69,251	(165,851)	(2,345)	1,129	(780)	678,536	187,194	865,730
Impact of consolidation (note 3)	-	-	-	809	(37,757)	(21)	-	-	(36,969)	188,894	151,925
As restated	1,253,626	(912)	(475,582)	70,060	(203,608)	(2,366)	1,129	(780)	641,567	376,088	1,017,655
Profit for the period (page 3)	-	-	-	-	3,320	-	-	-	3,320	10,340	13,660
Fair value changes	-	-	-	-	-	1,781	-	-	1,781	-	1,781
Foreign currency translation differences	-	-	-	-	-	-	-	(62)	(62)	(117)	(179)
Total recognised income and expense	**-**	**-**	**-**	**-**	**3,320**	**1,781**	**-**	**(62)**	**5,039**	**10,223**	**15,262**
Conversion of Murabaha to capital (note 8)	241,361	-	(181,361)	-	-	-	-	-	60,000	-	60,000
Capital reduction (note 9)	(896,992)	-	679,665	-	217,327	-	-	-	-	-	-
Purchase of treasury shares	-	(36)	-	-	-	-	-	-	(36)	-	(36)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,753)	(1,753)
Balance at 30 June 2015	**597,995**	**(948)**	**22,722**	**70,060**	**17,039**	**(585)**	**1,129**	**(842)**	**706,570**	**384,558**	**1,091,128**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2015 *(continued)* US$ 000's

	Attributable to shareholders of the Bank										
30 June 2014 (reviewed) (restated)	Share capital	Treasury shares	Capital adjustment account	Statutory reserve	Accumulated losses	Fair value reserve	Share grant reserve	Foreign currency translation reserve	Total	Non – controlling interests	Total owners' equity
Balance at 1 January 2014											
As previously reported	972,281	(912)	(229,656)	68,146	(310,185)	-	1,242	-	500,916	-	500,916
Impact of consolidation (note 3)	-	-	-	-	(40,872)	(49)	-	-	(40,921)	182,501	141,580
As restated	972,281	(912)	(229,656)	68,146	(351,057)	(49)	1,242	-	459,995	182,501	642,496
Profit for the period (page 3)	-	-	-	-	10,743	-	-	-	10,743	4,140	14,883
Foreign currency translation differences	-	-	-	-	-	-	-	(471)	(471)	(915)	(1,386)
Total recognised income and expense	-	-	-	-	10,743	-	-	(471)	10,272	3,225	13,497
Capital reduction	(134,380)	-	-	-	134,380	-	-	-	-	-	-
Share grants vesting expense, net of forfeitures	-	-	-	-	-	-	200	-	200	-	200
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	182,299	182,299
Balance at 30 June 2014	837,901	(912)	(229,656)	68,146	(205,934)	(49)	1,442	(471)	470,467	368,025	838,492

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2015

US$ 000's

	30 June 2015 (reviewed)	30 June 2014 (reviewed) (restated)
OPERATING ACTIVITIES		
Profit for the period	13,660	14,883
Adjustments for:		
Income from investment securities	(9,877)	(2,025)
Share of profit of equity-accounted investees	(1,838)	(2,635)
Foreign exchange loss / (gain)	1,730	(94)
Income from investment banking services	(21,022)	-
Other income	(1,931)	(37,342)
Impairment allowance	2,304	9,332
Depreciation and amortisation	2,290	927
Impairment of receivables	80	-
Finance expenses	3,138	7,073
	(11,466)	(9,881)
Changes in:		
Financing assets	(23,220)	(64,809)
Assets acquired for leasing	(27,074)	(9,436)
Other assets	(88,287)	7,152
CBB Reserve balance	(3,050)	(3,660)
Investors' funds	(5,239)	(6,768)
Placements from financial, non-financial institutions and individuals	(13,985)	(38,546)
Customer current accounts	37,389	58,464
Equity of investment account holders	67,911	31,822
Other liabilities	68,942	(2,163)
Net cash generated from / (used in) operating activities	**1,921**	(37,825)
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(5,432)	(824)
Purchase of investment securities	(168,253)	(63,200)
Advance for investments	-	(2,696)
Proceeds from sale of investment securities	65,345	68,972
Proceeds from sale of assets held-for-sale	-	9,890
Dividend/Income from sukuk investments	5,736	1,499
Acquisition of subsidiaries	-	7,341
Net cash (used in) / generated from investing activities	**(102,604)**	20,982
FINANCING ACTIVITIES		
Financing liabilities, net	(2,726)	(7,376)
Finance expense paid	(4,774)	(1,614)
Dividend paid (including non-controlling interests)	(1,753)	(10)
Proceeds from issue of convertible murabaha	60,000	-
Purchase of treasury shares	(36)	-
Net cash generated from / (used in) financing activities	**50,711**	(9,000)
Net decrease in cash and cash equivalents during the period	**(49,972)**	(25,843)
Cash and cash equivalents at 1 January	333,659	304,362
CASH AND CASH EQUIVALENTS AT 30 June	**283,687**	278,519
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding balances with Central Bank in reserve account)	106,419	76,636
Placements with financial institutions	177,268	201,883
	283,687	278,519

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2015

30 June 2015 (reviewed)	**Balance at 1 January 2015**			**Movements during the period**						**Balance at 30 June 2015**		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revalua-tion 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	0.35	52	-	-	-	-	-	-	150	0.35	52
Al Basha'er Fund	93	7.89	734	-	7	-	-	-	-	93	7.97	741
Safana Investment (RIA 1)	8,313	2.65	22,050	-	-	-	-	-	-	8,313	2.65	22,050
Janayen Holding Limited (RIA 4)	48,082	0.25	12,095	-	-	655	-	-	(244)	48,082	0.26	12,506
Shaden Real Estate Investment WLL (RIA 5)	8,100	2.65	21,485	(10,716)	-	-	-	-	-	4,860	2.22	10,769
Locata Corporation Pty Ltd (RIA 6)	2,633	1.00	2,634	-	-	-	-	-	-	2,633	1.00	2,634
			59,050	**(10,716)**	**7**	**655**	**-**	**-**	**(244)**			**48,752**

30 June 2014 (reviewed) (restated)	Balance at 1 January 2014			Movements during the period						Balance at 30 June 2014		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revalua-tion US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Bank'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	0.35	53	-	-	-	-	-	-	150	0.35	53
Al Basha'er Fund	93	8.39	780	-	63	-	-	-	-	93	9.06	843
Al Hayreth French Property Fund	17.05	1,379.63	23,522	-	(255)	-	-	-	-	17.05	1,364.63	23,267
Safana Investment (RIA 1)	8,323	2.65	22,077	-	-	-	-	-	-	8,323	2.65	22,077
Janayen Holding Limited (RIA 4)	48,082	0.29	13,963	-	-	146	-	-	(178)	48,082	0.29	13,931
Shaden Real Estate Investment WLL (RIA 5)	8,100	2.65	21,485	-	-	-	-	-	-	8,100	2.65	21,485
Locata Corporation Pty Ltd (RIA 6)	2,948	0.90	2,655	(11)	-	-	-	-	-	2,938	0.90	2,644
			84,535	(11)	(192)	146	-	-	(178)			84,300

The condensed consolidated interim financial information consists of pages 2 to 23.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND
for the six months ended 30 June 2015 US$ 000's

	30 June 2015 (reviewed)	30 June 2014 (reviewed) (restated)
Sources of zakah and charity fund		
Non-Islamic income	93	172
Total sources	**93**	172
Uses of zakah and charity fund		
Contributions to charitable organisations	1,173	88
Total uses	**1,173**	88
Excess / (deficit) of sources over uses	**(1,080)**	84
Undistributed zakah and charity fund at beginning of the period	5,050	4,992
Undistributed zakah and charity fund at end of the period	**3,970**	5,076
Represented by:		
Zakah payable	1,824	3,010
Charity fund	2,146	2,066
	3,970	5,076

The condensed consolidated interim financial information consists of pages 2 to 23.

1 Reporting entity

The condensed consolidated interim financial information for the six months ended 30 June 2015 comprise the financial information of GFH Financial Group BSC (the "Bank" / "GFH") and its subsidiaries (together referred to as "the Group").

In addition to the list of significant subsidiaries consolidated in the financial statements for the year ended 31 December 2014, the following new subsidiaries have been consolidated retrospectively in accordance with the amendments to the accounting policy of the Group (refer note 3 a).

Name of subsidiary	Equity interest	Place of business	Parent	Primary business activity
Khaleeji Commercial Bank BSC ('KHCB')	46.96%	Bahrain	GFH	Retail banking
Morocco Gateway Investment Company ('MGIC')	33.33%	Morocco	GFH	Infrastructure and Real estate development
Capital Real Estate BSC (c) ('CRE')	60.00%	Bahrain	GFH	Real Estate Development
Surooh Company, Cayman Islands ('Surooh')	10.00%	Bahrain	KHCB	To construct and sell properties at "Oryx Hills".
Eqarat Al Khaleej, Cayman Islands ('Eqarat')	19.80%	Bahrain	KHCB	To buy, sell and renting income producing properties across the GCC.

2 Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards (IFRS). Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – '*Interim Financial Reporting*'. The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2014. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

3 Significant accounting polices

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's audited financial statements for the year ended 31 December 2014, except for changes arising from amendments to accounting standards issued and effective from 1 January 2015 as given below:

a) *Amendments to Financial Accounting Standard (FAS) No. 23 – Consolidation*

During the period, the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) issued amendments to FAS 23 which are effective from 1 January 2015. These amendments provide clarification and expand the scenarios for assessing control when an entity holds less than majority voting rights in an investee. In particular, the concept of de-facto control has been introduced.

3 Significant accounting polices (continued)

The amendment clarifies that where the IFI has less than majority voting rights in an investee, control may also exist through

a) agreement with the entity's other shareholders or the entity itself;
b) rights arising from other contractual arrangements;
c) the IFI’s voting rights (de facto power);
d) potential voting rights; or
e) a combination thereof.

Further, FAS 23 does not provide specific guidance for assessment of control over special purpose vehicles (SPVs) where the Bank has delegated power from its investors. The Bank previously referred to the relevant guidance in International Financial Reporting Standards (IFRSs). As a result of revision to IFRS 10 (consolidation), the Group has now also changed its accounting policy for determining when it has control over SPVs to be in line with IFRS 10. The new control model focuses on the scope of decision making authority over the SPV, rights held by other parties and the Bank’s aggrrgate economic interest in the investee. In particular, expanded guidance has been provided to assess when the Group’s power over an investee would be considered as those of a principal (primarily for its own benefit) and when it would be considered to be that of an agent (primarily for benefit of its investors). A principal will be required to consolidate the SPV where as an agent will not be required to consolidate the SPV.

In accordance with the transitional provisions of the amended FAS 23, the Group reassessed its control conclusions for its investees as of 1 January 2015, being the date of initial application of these amendments. The exercise has resulted in change in control conclusion in respect of the followings investees:

Investment	**Previous classification**	**Basis of change in control conclusions**
KHCB	Equity accounted associate	The Bank has de facto control over KHCB. The primary consideration has been whether GFH is able to control the outcome of voting at the companies’ general meetings. After careful consideration of this question based on both the absolute and relative ownership interests and attendance at previous general meetings of KHCB over the last 4 years, it has been assessed that such control exists. Weightage was also given to the fact that the remaining voting rights of KHCB are widely dispersed and there is no indication that other shareholders exercise their votes collectively.
MGIC	Equity investment carried at fair value through income statement	This represents a investment vehicle (SPV) managed by the Group. The Group has a significant aggregate economic interests and variability from its involvement with the investee and hence is considered to be a principal exercising power for its own benefit.
CRE	Equity investment carried at fair value thorugh equity	Along with KHCB, the Group now controls more than majority of voting rights of this entity and hence has now been assessed as a subsidiary.

Previously, the Group would not have consolidated such investments. Accordingly, in accordance with the transitional provisions of the amended FAS 23, the Group applied the change in policy retrospectively, and has restated the relevant amounts as if the investee had always been consolidated from the date the Group obtained control.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

3 Significant accounting polices (continued)

Summary of transition approach:
When the consolidation conclusion changes for an investment that was not previously consolidated, the restatement of comparatives is limited to the immediately preceding period. The following steps have been applied:

(a) If the investee subject to consolidation is a business, the Bank shall apply acquisition accounting on the date of obtaining control (as per the amended FAS 23) when an investee is consolidated for the first time on transition;
(b) The acquisition accounting values of assets, liabilities and non-controlling interests should be rolled forward until the beginning of the year immediately preceding the year of adoption; and
(c) The difference between the values determined in step (b) and the carrying amount of the investment is recognised in equity at the beginning of the immediately preceding year.

If step (a) above is impracticable, then the deemed acquisition date shall be the beginning of the earliest period for which acquisition accounting is possible, which may also be the current period date of initial application of the amendments.

As all the new investments (except MGIC) that have been consolidated were formed and controlled by the Group since inception, no acquisition adjustments have been made to the value of reported assets and liabilities. Changes in interests of subsidiaries that did not result in loss of control have been accounted for as equity transactions.

In case of KHCB, CRE, Eqarat and Surooh, retrospective application has been done as if the investments have been consolidated since date of original acquisition and all adjustments have been effected in the earliest comparable period (i.e. 1 January 2014). In case of MGIC, as retrospective application was considered impracticable, and accordingly, the acquisition accounting and consolidation was given effect from the beginning of the current financial period (i.e. 1 January 2015) with relevant carryover adjustments being accounted for in equity.

Impact of changes in accounting policies:

Condensed consolidated statement of financial position (1 January 2014)	**As previously reported**	**Impact of consolidation**	**As restated**
ASSETS			
Cash and bank balances	21,847	82,038	103,885
Placements with financial institutions	-	220,410	220,410
Financing assets	-	644,810	644,810
Investment securities	196,141	243,704	439,845
Assets acquired for leasing	-	85,042	85,042
Investment properties	259,404	32,025	291,429
Development properties	-	35,269	35,269
Equity-accounted investees	209,739	(131,964)	77,775
Property, plant and equipment	299	22,252	22,551
Other assets	172,669	72,341	245,010
Total assets	**883,923**	**1,305,927**	**2,189,850**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2015

3 Significant accounting polices (continued)

Condensed consolidated statement of financial position (1 January 2014)	**As previously reported**	**Impact of consolidation**	**As restated**
LIABILITIES			
Investors' funds	19,166	1,446	20,612
Placements from financial institutions, other entities and individuals	93,511	328,520	422,031
Customer current accounts	-	31,732	31,732
Other liabilities	60,408	34,525	94,933
Total liabilities	**380,852**	**396,223**	**777,075**
Equity of investment account holders	**2,155**	**769,179**	**771,334**
OWNERS' EQUITY			
Accumulated losses	(310,185)	(40,872)	(351,057)
Fair value reserve	-	(49)	(49)
Non-controlling interests	-	182,501	182,501

Condensed consolidated statement of financial position (31 December 2014)	**As previously reported**	**Impact of consolidation**	**As restated**
ASSETS			
Cash and bank balances	46,147	83,791	129,938
Placements with financial institutions	45,753	202,729	248,482
Financing assets	-	782,628	782,628
Investment securities	248,418	234,178	482,596
Assets acquired for leasing	-	114,008	114,008
Investment properties	259,404	54,231	313,635
Development properties	45,501	85,816	131,317
Equity-accounted investees	158,804	(131,903)	26,901
Intangible assets	125,176	-	125,176
Property, plant and equipment	141,301	25,144	166,445
Other assets	234,603	26,513	261,116
Total assets	**1,305,107**	**1,477,135**	**2,782,242**
LIABILITIES			
Investors' funds	14,885	3,790	18,675
Placements from financial institutions, other entities and individuals	90,145	249,313	339,458
Customer current accounts	-	111,684	111,684
Financing liabilities	231,124	18,216	249,340
Other liabilities	101,560	48,312	149,872
Total liabilities	**437,714**	**431,315**	**869,029**
Equity of investment account holders	**1,663**	**893,895**	**895,558**

3 *Significant accounting polices (continued)*

Condensed consolidated statement of financial position (31 December 2014)	**As previously reported**	**Impact of consolidation**	**As restated**
OWNERS' EQUITY			
Accumulated losses	(165,851)	(37,757)	(203,608)
Statutory reserve	69,251	809	70,060
Fair value reserve	(2,345)	(21)	(2,366)
Non-controlling interests	187,194	188,894	376,088

Condensed consolidated income statement

For the period ended 30 June 2014	**As previously reported**	**Impact of consolidation**	**As restated**
Income from placments with financial institutions	117	732	849
Income from financing assets and assets acquired for leasing	-	25,485	25,485
Income from investment securities,net	2,025	2,162	4,187
Other income	37,347	4,561	41,908
Less: Return to investment account holders	-	(12,782)	(12,782)
Less: Finance expense	(7,073)	(4,938)	(12,011)
Staff cost	6,842	6,395	13,237
Investment advisory expense	2,738	-	2,738
Other operating expenses	10,839	6,148	16,987
Profit for the period	10,580	4,303	14,883

The above adjustments have been made on a provisional basis using audited and management accounts of the investee companies and may be amended on completion of acquisition accounting of these entities. The Group expects to finalise its acquisition accounting assessment within the current year and does not expect material differences to the current reported balances.

4 Estimates

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

In preparing these condensed consolidated interim financial information, except for the matters arising from consolidation of new subsidiaries (note 3 a), the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2014.

5 Financial risk management

Except for additional disclosures that may arise from consolidation of new subsidiaries during the period (refer note 3 a), 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 2014.

6 Seasonality

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

7 The condensed consolidated interim financial information is reviewed, not audited by KPMG Fakhro. Except for the restatement of certain amounts on changes in the accounting policy (refer note 3 a):

(a) the comparatives for the condensed consolidated statement of financial position have been extracted from the Group's audited consolidated financial statements for the year ended 31 December 2014 and the reviewed condensed consolidated interim financial information for the six months ended 30 June 2014; and

(b) the comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, changes in restricted investment accounts and sources and uses of zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the six months ended 30 June 2014.

8 During the period, the paid up capital of the Bank was increased from US$ 1,253,626 thousand to US$ 1,494,987 thousand as a result of subscription and exercise of conversion option by the holders of the convertible murabaha. As per the terms of the convertible murabaha, 910,793 thousand shares of par value US$ 0.265 has been issued on coversion. The difference between effective conversion price and the par value per share has been adjusted against the capital adjustment account.

9 During the period, in the extra ordinary general meeting of the shareholders held on 12 April 2015, the shareholders approved the following:

- write off accumulated losses of US$ 896,992 thousand resulting in reduction of the issued and paid-up capital from US$ 1,494,987 thousand to US$ 597,995 thousand (representing reduction of 6 shares for each 10 shares held approximately);
- own up to 10% of the Bank's share capital as treasury shares; and
- change the name of the Bank to GFH Financial Group BSC.

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

11 Cash and bank balances

	30 June 2015 US$ 000's (reviewed)	31 December 2014 US$ 000's (audited) (restated)	30 June 2014 US$ 000's (reviewed) (restated)
Cash	13,231	6,763	8,493
Balances with banks	49,212	64,796	86,636
Balances with Central Bank			
- Current account	43,976	13,618	12,825
- Reserve account	47,811	44,761	43,674
	154,230	129,938	151,628

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

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12 Investment securities

	30 June 2015 US$ 000's (reviewed)	31 December 2014 US$ 000's (audited) (restated)	30 June 2014 US$ 000's (reviewed) (restated)
Equity type investments			
At fair value through income statement			
- Quoted securities	377	883	1,349
- Quoted funds	10,035	9,878	16,490
- Unquoted funds	3,679	3,679	3,679
- Unquoted securities	58,297	58,297	40,180
- Quoted sukuk	-	13,159	13,127
	72,388	85,896	74,825
At fair value through equity			
- Quoted securities	5,094	3,060	-
- Managed funds	1,973	22,827	1,973
- Listed securities	8,536	-	-
- Unquoted securities* (at cost)	314,632	288,539	253,828
	402,623	400,322	330,626
Debt type investments			
At amortised cost			
- Unquoted Sukuk	180,271	81,218	91,114
At fair value through income statement			
- Quoted Sukuk	1,050	1,056	2,748
	583,944	482,596	424,488

* Unquoted equity securities (at cost) mainly include investments in projects promoted by the Group. In the absence of reliable measure of fair value, these investments are carried at cost less impairment. During the period, impairment allowances of US$ 500 thousand (2014: US$ 9 million) was recognised against these investments.

13 Other assets

	30 June 2015 US$ 000's (reviewed)	31 December 2014 US$ 000's (audited) (restated)	30 June 2014 US$ 000's (reviewed) (restated)
Project receivables	99,213	31,378	-
Financing to projects	84,496	84,496	95,586
Reimbursement right (note 19)	35,000	35,000	35,000
Receivable from sale of investments	26,087	6,316	17,771
Lease rentals receivable	3,289	2,117	9,873
Inventories	24,053	28,381	26,999
Trade receivables	47,578	36,491	35,048
Employee receivables	13,341	13,341	13,491
Claims recoverable	11,990	12,255	13,255
Other receivables	26,571	11,341	30,252
	371,618	261,116	277,275

14 Placements from financial institutions, other entities and individuals

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

15 Financing liabilities

	30 June 2015 US$ 000's (reviewed)	31 December 2014 US$ 000's (audited) (restated)	30 June 2014 US$ 000's (reviewed) (restated)
Financing of banking operations			
- Murabaha financing (i)	45,586	46,401	56,718
- Wakala financing	37,939	42,588	44,893
- Sukuk liability	84,973	85,277	99,741
Financing of industrial business			
- Short term loans	30,197	24,023	31,879
- Ijarah financing	8,790	11,460	11,278
- Term loans	18,910	19,663	6,766
- Murabaha financing (ii)	2,413	1,712	1,883
Other borrowing	26,216	18,216	18,542
	255,024	249,340	271,700

	30 June 2015 US$ 000's (reviewed)	31 December 2014 US$ 000's (audited) (restated)	30 June 2014 US$ 000's (reviewed) (restated)
Financing liabilities			
Current portion	70,322	76,864	74,894
Non-current portion	184,702	172,476	196,806
	255,024	249,340	271,700

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

The Murabaha financing facilities are secured by a pledge over the Group's investment in a subsidiary of carrying value of US$ 130 million and investment property of carrying value of US$ 24.6 million.

Wakala financing
Wakala financing is a syndicate facility from a number of financial institutions and repayable over a period of six years till April 2018 at an agreed profit rate of 8%. The Wakala financing facility is secured by a pledge over the Group's investment property of carrying value of US$ 203 million. During the period, the Group was in the process of finalising the restructuring of wakala financing.

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

The Sukuk Certificates are backed by the Group's investment securities with carrying values of US$ 99.3 million (31 December 2014: US$ 99.3 million) and an investment property of carrying value of US$ 31.5 million (31 December 2014: US$ 31.5 million)

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

15 Financing liabilities (continued)

Short term loans
These loans were obtained by Balexco to finance the purchase of raw materials and are revolving in nature. The profit rate on these facilities range from 2.8% to 3% and are secured by a pledge over finished goods.

Ijarah financing
Ijarah financing was obtained by Falcon Cement Company BSC (c) for construction of cement plant in the Kingdom of Bahrain. The financing is secured by a mortgage over property, plant and equipment with a carrying value of US$ 59 million and carries a profit rate of higher of BIBOR plus 4.25% or 7.5% per annum with final repayment on 1 February 2017.

Term loans
These facilities were obtained by Balexco for capital expenditure relating to "Extrusion Line", "Anodising Line" and "Press revamp". The loans are secured by a mortgage over machinery, equipment of Extrusion Line and Anodising Line. The loans carries a profit rate of three months LIBOR plus 5.5% and is repayable in 16, 16 and 18 quarterly instalments commencing from 30 September 2011, 31 March 2011 and 31 March 2014 respectively.

Murabaha financing (ii)
The murabaha financing has been obtained by Falcon Cement Company BSC (c) for import of raw materials and repayable at a profit rate of 9% per annum for facility availed up to 30 April 2012 and at the rate of BIBOR plus 4.25% per annum (with minimum floor of 7%) for facility availed after 1 May 2012.

16 Share-based employee compensation scheme

The Bank operates a share incentive scheme for its employees. The share awards granted under the scheme have an initial lock-in period of 3 years and shall vest rateably over varied vesting periods of up to 10 years as per the terms of the scheme. As at 30 June 2015, 2.29 million share awards were outstanding to be exercised in future periods.

During 2013, the Group issued new employee share awards (9,185,391 shares at a share price of US$ 0.125 per share) with vesting conditions over a period of 2 years based on fulfilment of performance and service conditions. As at 30 June 2015, 2.29 million (31 December 2014: 2.03 million shares) were pending vesting under the new employee share awards scheme and during the period 457 thousand shares were forfeited.

In 2014, the Group issued new employee share awards (2,352,632 shares at aprice of US$ 0.19 per share) with vesting conditions over a period of 3 years based on fulfilment of performance and service conditions. As at 30 June 2015, 1.56 million shares (31 December 2014: 2.35 million shares) were pending vesting under the new employee share awards scheme.

In 2015, the Group has approved a new variable remuneration policy which has been adopted to comply with the Central Bank of Bahrain's new regulatory requirements governing variable remuneration of staff covered by the regulation. The policy was approved in the shareholders on 12 April 2015 and new share awards will be granted as per the terms of the new variable remuneration policy.

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17 Related party transactions

The significant related party balances are not materially different from the the amounts reported as at 31 December 2014 except for those arising from consolidation of subsidiaries. Other significant related party transactions entered during the period are given below:

Six months ended 30 June 2015	**Associates**	**Key management personnel**	**Significant shareholders / entities in which directors are interested**	**Assets under management (including special purpose entities)**	**Total**
Income					
Income from financing assets and assets acquired for leasing	72	-	-	268	340
Income from investment banking services	-	-	-	21,022	21,022
Management and other fees	88	-	-	-	88
Income from investment securities	(507)	-	-	-	(507)
Share of profit of equity-accounted investees	1,838	-	-	-	1,838
Expenses					
Return to investment account holders	3	-	3	156	162
Staff cost	-	2,354	-	-	2,354
Other expenses	-	185	-	45	230

Six months ended 30 June 2014 (restated)	Associates	Key management personnel	Significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from financing assets and assets acquired for leasing	135	-	-	279	414
Management and other fees	88	-	-	2,252	2,340
Share of profit of equity-accounted investees	2,635	-	-	-	2,635
Expenses					
Return to investment account holders	21	11	56	353	441
Staff cost	-	1,640	-	-	1,640
Impairment allowance	-	-	-	10,000	10,000
Other expenses	-	-	-	77	77

During the period, the participation by entities in which directors are interested in projects promoted by Bank was US$ 15 million (2014: US$ Nil)

18 Segment reporting

During the year, the Group has changed its reportable segments as a result of the recent consolidation and refreshing of its business strategy and in-line with the current internal reporting to the Board of Directors and management for performance measurement and monitoring. Currently, 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, Development infrastructure, Retail Banking and Industrial business.

	Industrial business		**Development infrastructure**	**Commercial banking**	**Investment banking**	**Unallocated / Elimination**	**Total**
	Cement	**Aluminium**					
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
30 June 2015 (reviewed)							
Segment revenue	17,283	46,076	(5,365)	28,456	21,794	330	108,574
Segment expenses	15,930	42,833	7,103	16,172	7,302	5,574	94,914
Segment result	1,353	3,243	(12,468)	12,284	14,492	(5,244)	13,660
Segment assets	240,993	117,337	658,678	1,707,678	259,584	538	2,984,808
Segment liabilities	55,372	42,576	293,407	412,200	113,792	12,864	930,211
Other segment information							
Property, plant and equipment	94,754	42,554	-	21,764	3,553	-	162,625
Intangible assets (commercial license and customer relationship)	124,936	154	-	-	-	-	125,090
Inventories	3,021	21,032	-	-	-	-	24,053
Trade receivables	6,305	41,273	-	-	-	-	47,578
Financing liabilities	27,915	32,395	139,507	-	55,207	-	255,024
Equity of investment account holders	-	-	-	961,808	1,661	-	963,469
Commitments	92,293	6,303	25,000	224,162	-		347,758

18 Segment reporting (continued)

	Industrial business		Development infrastructure	Commerical banking	Investment banking	Unallocated / Elimination	Total
	Cement	Aluminium					
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
30 June 2014 (reviewed) (restated)							
Segment revenue	12,486	32,836	36,730	10,017	5,856	343	98,268
Segment expenses	9,751	30,339	18,409	5,802	14,571	4,513	83,385
Segment result	2,735	2,497	18,321	4,215	(8,715)	(4,170)	14,883
31 December 2014 (audited) (restated)							
Segment assets	245,899	114,233	624,786	1,477,135	318,801	1,388	2,782,242
Segment liabilities	40,003	54,942	271,536	391,601	73,887	37,060	869,029
Other segment information							
Property, plant and equipment	95,436	45,279	2,553	22,591	-	586	166,445
Intangible assets (commercial license and customer relationship)	123,620	1,556	-	-	-	-	125,176
Inventories	6,169	22,212	-	-	-	-	28,381
Trade receivables	1,817	34,674	-	-	-	-	36,491
Financing liabilities	13,171	43,687	133,604	-	58,878	-	249,340
Equity of investment account holders	-	-	-	893,895	1,663	-	895,558
Commitments	116,461	1,578	-	127,160	-	-	245,199

19 Commitments and contingencies

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

	30 June 2015 US$ 000's (reviewed)	31 December 2014 US$ 000's (audited) (restated)	30 June 2014 US$ 000's (reviewed) (restated)
Undrawn commitments to extend finance	196,095	105,218	75,838
Financial guarantees	53,066	21,942	29,122
Capital commitments relating to construction of cement plant	93,028	111,736	115,067
Operating lease commitments			
- Within one year	234	297	219
- 1 – 5 years	983	1,378	1,344
- Over 5 years	1,699	1,975	2,305
Guarantees issued by banks on behalf of the Group	2,653	2,653	2,653

Also, the Group has issued a financial guarantee of US$ 35 million to an investee company. Based on the assessment of the financial position of the investee company, the Group has recognized a provision of US$ 35 million (31 December 2014: US$ 35 million) which is included in other liabilities and recognised an equivalent amount of 'reimbursement right' receivable included in 'other assets' (note 13). The Group is currently in discussion with the lenders and in the opinion of the management, as at the reporting date, the guarantee stands expired.

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

Performance obligations

During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group at 30 June 2015 due to the performance of any of its projects.

Litigations, claims and contingencies

Litigations and claims

The Group has a number of claims and litigations filed against it in connection with projects promoted by the Bank in the past and with certain transactions. Further, claims against the Bank also have been filed by former employees. Based on the advice of the Bank's external legal counsel who confirmed that the Bank has strong grounds to successfully defend itself against these claims. Accordingly, no provision for these claims has been made in the condensed consolidated interim financial information. No further disclosures regarding contingent liabilities arising from any of such claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

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.

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

As at 30 June 2015 and 31 December 2014, the fair value of bank balances, placements with financial institutions, other financial assets, investors' fund, placements from financial and other institutions and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using quotes market prices and internal valuation models for unquoted investments. Other investments are carried at cost in the absence of a reliable measure of fair value.

Financing assets

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

Financing liabilities

As at 30 June 2015, the fair value of financing liabilities was estimated at US$ 219,643 thousand (carrying value US$ 255,024 thousand) (31 December 2014: fair value US$ 202,787 thousand (carrying value US$ 249,340 thousand) based on recent transactions for repurchase of liability instruments by the Bank. These may not necessarily represent active market quotes. In a normal (and not stressed scenario), the carrying values would approximate fair value of financing liabilities as these are largely floating rate instruments which were re-priced recently as part of the debt restructuring process. The fair values of financial assets and liabilities of industrial business segment are determined on provisional basis and approximates the current carrying values.

Fair value hierarchy

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

30 June 2015 (reviewed)	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Investment securities carried at				
- fair value through income statement	11,463	-	61,975	73,438
- fair value through equity	5,094	-	1,973	7,067
	16,557	**-**	**63,948**	**80,505**

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20 Financial instruments (continued)

31 December 2014 (audited) (restated)	Level 1	Level 2	Level 3	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Investment securities carried at				
- fair value through income statement	24,470	-	62,482	86,952
- fair value through equity	23,914	-	1,973	25,887
	48,384	-	64,455	112,839

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

	30 June 2015 US$ 000's (reviewed)	31 December 2014 US$ 000's (audited) (restated)
At beginning of the period	64,455	46,303
Gains (losses) in income statement	(507)	(466)
Purchases	-	18,618
Settlements	-	-
Transfers into (out) of Level 3	-	-
At end of the period	**63,948**	64,455

21 Certain prior period amounts have been restated on adoption of amendments to FAS 23 (refer note 3). This has resulted in amendments to notes and disclosures made in the condensed consolidated interim financial information.