

**GFH FINANCIAL GROUP BSC**  
**CONDENSED CONSOLIDATED INTERIM**  
**FINANCIAL INFORMATION**

**30 June 2016**

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29 <sup>th</sup> Floor Building 1398, East Tower Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Ahmed Al Mutawa, <i>Chairman</i> Mosabah Saif Al Mautairy, <i>Vice Chairman</i> Bashar Muhammad Almutawa Mohammed Ali Talib Sheikh Mohammed Bin Duaij Al Khalifa Khalid Alkhazraji Faisal Abdulla Fouad Yousif Ibrahim AlGhanim Jassim AlSeddiqi (w.e.f 17 April 2016) Hisham Alrayes (w.e.f. 17 April 2016)
Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

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<b>CONTENTS</b>	<b>Page</b>
Independent auditors' report on review of condensed consolidated interim financial information	1
<b>Condensed consolidated interim financial information</b>	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in owners' equity	4 - 5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of changes in restricted investment accounts	7
Condensed consolidated statement of sources and uses of zakah and charity fund	8
Notes to the condensed consolidated interim financial information	9 - 19

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

To  
The Board of Directors  
GFH Financial Group BSC  
Manama  
Kingdom of Bahrain

13 August 2016

**Introduction**

We have reviewed the accompanying 30 June 2016 condensed consolidated interim financial information of GFH Financial Group BSC (the "Bank") and its subsidiaries (together the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2016;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2016;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2016;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2016;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2016;
- the condensed consolidated statement of changes in sources and uses of zakah and charity fund for the six-month period ended 30 June 2016; and
- notes to the condensed consolidated interim financial information.

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

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance 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 June 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2016**

US\$ 000's

	note	30 June 2016 (reviewed)	31 December 2015 (audited)	30 June 2015 (reviewed)
<b>ASSETS</b>				
Cash and bank balances	10	77,598	122,165	154,230
Placements with financial institutions		97,503	122,348	177,268
Financing assets		945,967	859,421	805,848
Investment securities	11	540,971	573,453	583,944
Assets acquired for leasing		236,137	179,870	141,082
Investment properties		282,581	257,932	313,635
Development properties		178,228	179,577	127,251
Equity-accounted investees		81,398	81,274	22,217
Property, plant and equipment		25,240	25,602	125,090
Intangible assets		-	-	162,625
Other assets	12	237,420	248,160	371,618
<b>Total assets</b>		<b>2,703,043</b>	<b>2,649,802</b>	<b>2,984,808</b>
<b>LIABILITIES</b>				
Investors' funds		19,973	27,728	9,634
Placements from financial institutions, other entities and individuals	13	414,528	340,090	329,275
Customer current accounts		137,304	154,052	149,073
Financing liabilities	14	167,580	153,619	255,024
Other liabilities		117,142	135,977	187,205
<b>Total liabilities</b>		<b>856,527</b>	<b>811,466</b>	<b>930,211</b>
<b>Equity of investment account holders</b>		<b>938,716</b>	<b>944,915</b>	<b>963,469</b>
<b>OWNERS' EQUITY</b>				
Share capital		597,995	597,995	597,995
Treasury shares		(8,467)	(4,053)	(948)
Capital adjustment account		22,597	22,420	22,722
Statutory reserve		72,055	72,055	70,060
Retained earnings		18,106	6,581	17,039
Investments fair value reserve		-	(230)	(585)
Share grant reserve		893	893	1,129
Foreign currency translation reserve		-	-	(842)
<b>Total equity attributable to shareholders of the Bank</b>		<b>703,179</b>	<b>695,661</b>	<b>706,570</b>
Non-controlling interests		204,621	197,760	384,558
<b>Total owners' equity</b> (page 4)		<b>907,800</b>	<b>893,421</b>	<b>1,091,128</b>
<b>Total liabilities, equity of investment account holders and owners' equity</b>		<b>2,703,043</b>	<b>2,649,802</b>	<b>2,984,808</b>


The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 19 on 13 August 2016.



Ahmed Al Mutawa  
Chairman



Mosabah Saif Al Mautairy  
Vice Chairman



Hisham Alrayes  
Chief Executive Officer & Board member

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**for the six months ended 30 June 2016**

US\$ 000's

	note	Six-months ended		Three-months ended	
		30 June 2016 (reviewed)	30 June 2015 (reviewed)	30 June 2016 (reviewed)	30 June 2015 (reviewed)
<b>Continuing operations</b>					
Income from investment banking services		-	21,022	-	9,389
Fee and commission income		10,588	238	1,841	119
Income from placements with financial institutions		911	740	442	398
Income from financing assets and assets acquired for leasing		33,817	27,737	17,652	13,148
Share of profits of equity-accounted investees		125	1,838	-	1,010
Income from investment securities, net		248	9,877	(984)	7,635
Foreign exchange (loss) / gain, net		(1,432)	(1,730)	(1,849)	53
Gain on sale of investment property		46,082	-	46,082	-
Other income	15	10,295	5,491	92	4,490
<b>Total income before return to investment account holders and finance expense</b>		<b>100,634</b>	65,213	<b>63,276</b>	36,242
Return to investment account holders before Group's share as Mudarib		(21,422)	(21,056)	(11,469)	(10,294)
Group's share as Mudarib		12,595	11,793	6,892	6,392
<b>Return to investment account holders</b>		<b>(8,827)</b>	(9,263)	<b>(4,577)</b>	(3,902)
Finance expense		(8,444)	(8,897)	(4,472)	(4,229)
<b>Total income</b>		<b>83,363</b>	47,053	<b>54,227</b>	28,111
Staff cost		19,829	16,226	12,500	9,481
Other operating expenses		27,301	17,621	16,992	10,003
<b>Total expenses</b>		<b>47,130</b>	33,847	<b>29,492</b>	19,484
<b>Profit for the period before impairment</b>		<b>36,233</b>	13,206	<b>24,735</b>	8,627
Less: Impairment allowances		(18,265)	(2,304)	(16,807)	(2,086)
<b>Profit for the period from continuing operations</b>		<b>17,968</b>	10,902	<b>7,928</b>	6,541
<b>Discontinued operations</b>					
Profit from industrial business, net	7	-	2,758	-	1,076
<b>PROFIT FOR THE PERIOD</b>		<b>17,968</b>	13,660	<b>7,928</b>	7,617
<b>Attributable to:</b>					
Shareholders of the Bank		11,525	3,320	5,461	1,120
Non-controlling interests		6,443	10,340	2,467	6,497
		<b>17,968</b>	13,660	<b>7,928</b>	7,617
<b>Earnings per share</b>					
Basic and diluted earnings per share (US cents)		<b>0.53</b>	0.13	<b>0.25</b>	0.05
<b>Earnings per share (continuing operations)</b>					
Basic and diluted earnings per share (US cents)		<b>0.53</b>	0.13	<b>0.25</b>	0.05

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**for the six months ended 30 June 2016**

US\$ 000's

	Attributable to shareholders of the Bank							Non – controlling interests	Total owners' equity	
	Share capital	Treasury shares	Capital adjustment account	Statutory reserve	Retained earnings	Investme nts fair value reserve	Share grant reserve			Total
<b>30 June 2016</b> (reviewed)										
Balance at 1 January 2016	597,995	(4,053)	22,420	72,055	6,581	(230)	893	695,661	197,760	893,421
Profit for the period	-	-	-	-	11,525	-	-	11,525	6,443	17,968
Transfer to income statement on disposal of investments	-	-	-	-	-	230	-	230	-	230
<b>Total recognised income and expense</b>	-	-	-	-	<b>11,525</b>	<b>230</b>	-	<b>11,755</b>	<b>6,443</b>	<b>18,198</b>
Purchase of treasury shares (note 9)	-	(5,095)	-	-	-	-	-	(5,095)	-	(5,095)
Sale of treasury shares	-	681	-	-	-	-	-	681	-	681
Gain on sale of treasury shares, net	-	-	177	-	-	-	-	177	-	177
Issue of shares under incentive scheme	-	-	-	-	-	-	-	-	418	418
<b>Balance at 30 June 2016</b>	<b>597,995</b>	<b>(8,467)</b>	<b>22,597</b>	<b>72,055</b>	<b>18,106</b>	<b>-</b>	<b>893</b>	<b>703,179</b>	<b>204,621</b>	<b>907,800</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**for the six months ended 30 June 2016 (continued)**

US\$ 000's

	Attributable to shareholders of the Bank								Non – controlling interests	Total owners' equity	
	Share capital	Treasury shares	Capital adjustment account	Statutory reserve	Retained earnings / (Accumulated losses)	Investm ents fair value reserve	Share grant reserve	Foreign currency translation reserve			Total
30 June 2015 (reviewed)											
Balance at 1 January 2015	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	-	-	-	-	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	241,361	-	(181,361)	-	-	-	-	-	60,000	-	60,000
Capital reduction	(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

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the six months ended 30 June 2016**

US\$ 000's

	<b>30 June 2016 (reviewed)</b>	<b>30 June 2015 (reviewed)</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	17,968	13,660
Adjustments for:		
Fair value changes in investment securities	5,313	(4,141)
Income from investment banking services	-	(21,022)
Gain on sale of investment securities	(1,133)	-
Dividend / income from sukuk investments	(4,430)	(5,736)
Share of profit of equity-accounted investees	(125)	(1,838)
Foreign exchange (gain) / loss	1,432	1,730
Gain on sale of investment properties	(46,082)	-
Other income	(10,295)	(1,931)
Impairment allowances	18,265	2,384
Depreciation and amortisation	940	2,290
Finance expenses	2,519	3,138
	<b>(15,628)</b>	<b>(11,466)</b>
Changes in:		
Financing assets	(86,546)	(23,220)
Assets acquired for leasing	(56,267)	(27,074)
Other assets	8,408	(88,287)
CBB Reserve balance	(2,162)	(3,050)
Investors' funds	(7,755)	(5,239)
Placements from financial, other entities and individuals	74,438	(13,985)
Customer current accounts	(16,748)	37,389
Equity of investment account holders	(6,199)	67,911
Other liabilities	(21,353)	68,942
<b>Net cash (used in) / generated from operating activities</b>	<b>(129,812)</b>	<b>1,921</b>
<b>INVESTING ACTIVITIES</b>		
Payment for purchase of equipment, net	(24)	(5,432)
Purchase of investment securities	(30,010)	(168,253)
Proceeds from sale of investment securities	93,915	65,345
Proceeds from sale of investment property	2,066	-
Dividend/income from sukuk investments	4,430	5,736
<b>Net cash generated / (used in) investing activities</b>	<b>70,377</b>	<b>(102,604)</b>
<b>FINANCING ACTIVITIES</b>		
Financing liabilities, net	(4,800)	(2,726)
Finance expense paid	(2,519)	(4,774)
Dividend paid (including non-controlling interests)	-	(1,753)
Proceeds from issue of convertible murabaha	-	60,000
Purchase of treasury shares	(4,820)	(36)
<b>Net cash (used in) / generated from financing activities</b>	<b>(12,139)</b>	<b>50,711</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(71,574)</b>	<b>(49,972)</b>
Cash and cash equivalents at 1 January	194,460	333,659
<b>CASH AND CASH EQUIVALENTS AT 30 June</b>	<b>122,886</b>	<b>283,687</b>
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB Reserve balance)	25,383	106,419
Placements with financial institutions	97,503	177,268
	<b>122,886</b>	<b>283,687</b>

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



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**  
**for the six months ended 30 June 2016**

US\$ 000's

30 June 2016 (reviewed)	Balance at 1 January 2016			Movements during the period						Balance at 30 June 2016		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/(withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.35	52	-	(2)	-	-	-	-	150	0.33	50
Al Basha'er Fund	93	6.95	646	-	(40)	-	-	-	-	93	6.52	606
Safana Investment (RIA 1)	8,313	2.65	22,050	-	-	-	-	-	-	8,313	2.65	22,050
Janayen Holding Limited (RIA 4)	48,082	0.48	22,546	(22,546)	-	-	-	-	-	-	-	-
Shaden Real Estate Investment WLL (RIA 5)	3,728	2.65	9,888	(202)	-	-	-	-	-	3,652	2.65	9,686
Locata Corporation Pty Ltd (RIA 6)	2,633	0.94	2,475	-	-	-	-	-	-	2,633	0.94	2,475
			<b>57,657</b>	<b>(22,748)</b>	<b>(42)</b>	-	-	-	-			<b>34,867</b>

30 June 2015 (reviewed)	Balance at 1 January 2015			Movements during the period						Balance at 30 June 2015		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/(withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Group's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.35	52	-	-	-	-	-	-	150	0.35	52
Al Basha'er Fund	93	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
			<b>59,050</b>	<b>(10,716)</b>	<b>7</b>	<b>655</b>	-	-	<b>(244)</b>			<b>48,752</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND**  
**for the six months ended 30 June 2016** US\$ 000's

	<b>30 June 2016 (reviewed)</b>	30 June 2015 (reviewed)
<b>Sources of zakah and charity fund</b>		
Non-Islamic income	64	93
<b>Total sources</b>	<b>64</b>	93
<b>Uses of zakah and charity fund</b>		
Contributions to charitable organisations	593	1,173
<b>Total uses</b>	<b>593</b>	1,173
<b>Deficit of sources over uses</b>	<b>(529)</b>	(1,080)
Undistributed zakah and charity fund at beginning of the period	2,675	5,050
<b>Undistributed zakah and charity fund at end of the period</b>	<b>2,146</b>	3,970
Represented by:		
Zakah payable	269	1,824
Charity fund	1,877	2,146
	<b>2,146</b>	3,970

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

**1 Reporting entity**

The condensed consolidated interim financial information for the six months ended 30 June 2016 comprise the financial information of GFH Financial Group BSC (GFH or the “Bank”) and its subsidiaries (together referred to as “the Group”).

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

<b>Name of subsidiary</b>	<b>Equity interest</b>	<b>Place of business</b>	<b>Parent</b>	<b>Primary business activity</b>
GFH Capital Limited	100%	United Arab Emirates	GFH	Shari’a compliant investment management
Khaleeji Commercial Bank B.S.C (‘KHCB’)	46.96%	Bahrain	GFH	Retail banking
Morocco Gateway Investment Company (‘MGIC’)	33.53%	Morocco	GFH	Infrastructure and Real estate development
Capital Real Estate BSC (c) (‘CRE’)	60.00%	Bahrain	GFH	Real Estate Development
Surooh Company, Cayman Islands (‘Surooh’)	10.00%	Bahrain	KHCB	To construct and sell properties at “Oryx Hills”.
Eqarat Al Khaleej, Cayman Islands (‘Eqarat’)	19.80%	Bahrain	KHCB	To buy, sell and renting income producing properties across the GCC.

**2 Basis of preparation**

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards (‘FAS’) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards. Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘*Interim Financial Reporting*’.

The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2015. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

**3 Significant accounting policies**

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

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**4 Estimates**

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

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

**5 Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2015.

**6 Cyclicity**

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. The comparatives for the condensed consolidated statement of financial position have been extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015 and the reviewed condensed consolidated interim financial information for the six months ended 30 June 2015. The comparatives for the condensed consolidated statements of income, changes in owners' equity, cash flows, 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 2015.

In the comparative period, the Group consolidated its industrial business representing investment in Cemena Investment Company ('CIC'), a subsidiary, based on assessment of control over CIC and its underlying subsidiaries. Due to changes in the capital structure of CIC, the Group lost control over CIC and has ceased consolidation of CIC from 1 October 2015. Accordingly, the individual assets and liabilities of the subsidiary were derecognised from the consolidated financial statements as at 31 December 2015 and the results of CIC are no longer consolidated with that of the Group. However, the comparative condensed consolidated income statement for the six months ended 30 June 2015 included the profit of industrial business (net) amounting to US\$ 2,758 thousand (for the three months ended 30 June 2015: US\$ 1,076 thousand) which have been re-presented and included under discontinued operations.

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

**9** During the period, the Bank has bought back 48,459 thousand treasury shares amounting to US\$ 5,095 thousand and sold 2,781 thousand shares amounting to US\$ 681 thousand towards the employees share incentive scheme. Subsequent to the period end, the balance treasury shares have also been liquidated.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

**10 Cash and bank balances**

	US\$ 000's		
	<b>30 June 2016</b> (reviewed)	31 December 2015 (audited)	30 June 2015 (reviewed)
Cash	13,991	17,302	13,231
Balances with banks	12,084	40,195	49,212
Balances with Central Bank of Bahrain			
- Current account	(692)	14,615	43,976
- Reserve account	52,215	50,053	47,811
	<b>77,598</b>	122,165	154,230

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

**11 Investment securities**

	US\$ 000's		
	<b>30 June 2016</b> (reviewed)	31 December 2015 (audited)	30 June 2015 (reviewed)
<b>Equity type investments</b>			
<i>At fair value through income statement</i>			
- Quoted securities	539	377	377
- Quoted funds	-	-	10,035
- Unquoted managed fund	2,050	2,050	3,679
- Unquoted securities	52,984	58,297	58,297
	<b>55,573</b>	60,724	72,388
<i>At fair value through equity</i>			
- Listed securities	305	15,242	13,630
- Unquoted managed funds	1,384	1,973	1,973
- Unquoted securities*	336,775	326,991	314,632
	<b>338,464</b>	344,206	330,235
<b>Debt type investments</b>			
<i>At amortised cost</i>			
- Sovereign sukuk (quoted)	138,711	159,397	142,483
- Corporate sukuk (quoted)	5,013	1,000	24,937
- Corporate sukuk (unquoted)	3,210	8,126	12,851
	<b>146,934</b>	168,523	180,271
<i>At fair value through income statement</i>			
- Corporate sukuk (quoted)	-	-	1,050
	<b>540,971</b>	573,453	583,944

\* Unquoted equity securities classified at fair value through equity mainly include investments in projects promoted by the Group and are carried at cost less impairment, if any, in the absence of reliable measure of fair value. During the period, impairment allowances of US\$ 15 million (30 June 2015: US\$ 500 thousand) on such investments.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

**12 Other assets**

	US\$ 000's		
	<b>30 June 2016</b> (reviewed)	31 December 2015 (audited)	30 June 2015 (reviewed)
Investment banking receivables	26,172	41,958	99,213
Financing to projects	54,882	79,997	84,496
Reimbursement right (note 18)	35,000	35,000	35,000
Receivable from sale of:			
- Investment securities	-	992	19,662
- Investment properties	37,952	-	-
- Development properties	10,000	10,000	-
Deposits and advances	18,024	20,198	3,289
Receivables from employees	13,309	14,008	24,053
Income from sukuk receivable	3,360	3,481	13,341
Lease rentals receivable	3,918	3,419	11,990
Prepayments and other receivables	34,803	39,107	80,574
	<b>237,420</b>	<b>248,160</b>	<b>371,618</b>

**13 Placements from financial institutions, other entities and individuals**

These comprise placements (murabaha and wakala) from financial and other institutions (including corporate) as part of Group's treasury activities. This includes US\$ 84 million of funds placed by a non-financial entity, originally in Euro currency in 2010, which were subject to regulatory sanctions, and re-denominated into US\$. During the period, these regulatory sanctions have been formally lifted.

**14 Financing liabilities**

	US\$ 000's		
	<b>30 June 2016</b> (reviewed)	31 December 2015 (audited)	30 June 2015 (reviewed)
<i>Financing liabilities of banking operations</i>			
- Murabaha financing	36,499	35,851	45,586
- Wakala financing	35,045	38,043	37,939
- Sukuk liability	70,135	69,904	84,973
<i>Financing liabilities of industrial business</i>			
- Short term loans	-	-	30,197
- Ijarah financing	-	-	8,790
- Term loans	-	-	18,910
- Murabaha financing	-	-	2,413
Other borrowing	25,901	9,821	26,216
	<b>167,580</b>	<b>153,619</b>	<b>255,024</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

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

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

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

*Wakala financing*

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

*Sukuk liability*

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

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

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

**15**     **Other income**

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

**16 Related party transactions**

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

	US\$ 000's				
Six months ended 30 June 2016	Associates	Key management personnel	Entities in which shareholders have an interest	Assets under management (including special purpose entities)	Total
<b>Income</b>					
Management and other fees	-	-	6,000	947	6,947
Income from investment securities	(5,313)	-	-	-	(5,313)
Share of profit of equity-accounted investees	125	-	-	-	125
Other income	16	-	-	504	520
<b>Expenses</b>					
Return to investment account holders	2	2	50	21	75
Staff cost	-	3,352	-	-	3,352
Other expenses	-	-	11	310	321

	US\$ 000's				
Six months ended 30 June 2015	Associates	Key management personnel	Entities in which shareholders have an interest	Assets under management (including special purpose entities)	Total
<b>Income</b>					
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
<b>Expenses</b>					
Return to investment account holders	3	-	3	156	162
Staff cost	-	2,354	-	-	2,354
Other expenses	-	185	-	45	230



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

**17 Segment reporting**

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

						US\$ 000's
	Real estate development	Asset management	Private equity	Commercial banking	Unallocated / Elimination	Total
<b>30 June 2016</b> (reviewed)						
Segment revenue	48,085	396	1,735	31,821	1,326	83,363
Segment expenses	23,954	1,446	10,725	19,570	9,700	65,395
Segment result	24,131	(1,050)	(8,990)	12,251	(8,374)	17,968
Segment assets	717,344	29,726	175,666	1,752,395	27,912	2,703,043
Segment liabilities	258,300	22,056	49,559	488,469	38,143	856,527
<i>Other segment information</i>						
Impairment allowance	15,000	-	224	3,041	-	18,265
Equity accounted investees	-	-	78,925	2,474	-	81,399
Equity of investment account holders	-	-	-	937,569	1,147	938,716
Commitments	37,000	-	-	222,141	-	259,141

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

17 *Segment reporting (continued)*

	US\$ 000's					
	Real estate development	Asset management	Private equity	Commercial banking	Unallocated / Elimination	Total
30 June 2015 (reviewed)						
Segment revenue	(6,062)	11,585	76,283	28,456	(1,688)	108,574
Segment expenses	6,768	1,635	67,718	16,772	2,021	94,914
Segment result	(12,830)	9,950	8,565	11,684	(3,709)	13,660
31 December 2015 (audited)						
Segment assets	674,757	46,778	186,112	1,728,379	13,776	2,649,802
Segment liabilities	227,823	52,333	52,635	453,943	24,732	811,466
<i>Other segment information</i>						
Equity accounted investees	-	-	78,802	2,472	-	81,274
Equity of investment account holders	-	-	-	943,247	1,668	944,915
Commitments	47,000	-	-	214,794	-	261,794

\* Includes segment result of discontinued operations, net.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

**18 Commitments and contingencies**

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

	<b>30 June 2016</b> US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)	30 June 2015 US\$ 000's (reviewed)
Undrawn commitments to extend finance	165,844	161,788	196,095
Financial guarantees	71,297	68,006	53,066
Commitment for infrastructure development	22,000	32,000	-
Capital commitments relating to construction of cement plant	-	-	93,028
Operating lease commitments			
- Within one year	-	-	234
- 1 – 5 years	-	-	983
- Over 5 years	-	-	1,699
Guarantees issued by banks on behalf of the Group	-	-	2,653

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

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

*Performance obligations*

During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group at 30 June 2016 due to the performance of any of its projects.

*Litigations, claims and contingencies*

*Litigations and claims*

The Group is currently a plaintiff or a defendant in a number of claims and litigations in connection with investments promoted by the Bank in the past and other transactions. Further, the Group has filed claims against former employees. The court cases are in various stages of progress and the Bank in certain cases undertakes negotiations and settlements that are in the best interest of the Bank. As a result, the Bank may agree to take over/ deliver a combination of cash and non-cash assets as part of these arrangements over a period of time. Where it is highly probable that a legal case would materialise against the Bank, a provision is recognised for likely settlement. Where it is virtually certain that an asset will be recovered in a legal case or through settlement, a right to recover or equivalent reimbursement right is recognised separately under 'other assets'. No further disclosures regarding additional contingent liabilities or assets arising from any of such cases are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's other on-going legal cases.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the six months ended 30 June 2016**

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**19 Financial instruments****Fair values**

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

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

As at 30 June 2016 and 31 December 2015, the fair value of bank balances, placements with financial institutions, other financial assets, investors' fund, placements from financial and other institutions and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using quotes market prices and internal valuation models for unquoted investments. Other investments are carried at cost in the absence of a reliable measure of fair value.

*Financing assets*

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

*Financing liabilities*

As at 30 June 2016, the fair value of financing liabilities was estimated at US\$ 164,369 thousand (carrying value US\$ 167,580 thousand) (31 December 2015: fair value US\$ 148,578 thousand (carrying value US\$ 153,619 thousand)) based on recent transactions for repurchase of liability instruments by the Bank. These may not necessarily represent active market quotes. In a normal (and not stressed scenario), the carrying values would approximate fair value of financing liabilities as these are largely floating rate instruments which were re-priced recently as part of the debt restructuring process. The fair values of financial assets and liabilities of industrial business segment are determined on provisional basis and approximates the current carrying values.

**Fair value hierarchy**

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

19 *Financial instruments (continued)*

	US\$ 000's			
<b>30 June 2016 (reviewed)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investment securities carried at				
- fair value through income statement	539	-	55,034	55,573
- fair value through equity	305	-	1,384	1,689
	<b>844</b>	<b>-</b>	<b>56,418</b>	<b>57,262</b>

	US\$ 000's			
31 December 2015 (audited)	Level 1	Level 2	Level 3	Total
Investment securities carried at				
- fair value through income statement	377	-	60,347	60,724
- fair value through equity	15,242	-	1,973	17,215
	15,619	-	62,320	77,939

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

	US\$ 000's	
	<b>30 June 2016 (reviewed)</b>	31 December 2015 (audited)
At beginning of the period	62,320	64,455
Gains (losses) in income statement	(4,899)	(2,135)
Purchases	-	-
Disposals	(1,003)	-
Transfers into (out) of Level 3	-	-
<b>At end of the period</b>	<b>56,418</b>	62,320

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