

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 SEPTEMBER 2016

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29 th Floor Building 1398, East Tower Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Ahmed Al Mutawa, <i>Chairman</i> Mosabah Saif Al Mautairy, <i>Vice Chairman</i> Bashar Muhammad Almutawa Mohammed Ali Talib Sheikh Mohammed Bin 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 nine months ended 30 September 2016

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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

13 November 2016

Introduction

We have reviewed the accompanying 30 September 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 September 2016;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of changes in sources and uses of zakah and charity fund for the nine-month period ended 30 September 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 September 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 September 2016

US\$ 000's

	note	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2015 (reviewed)
ASSETS				
Cash and bank balances	10	119,899	122,165	143,270
Placements with financial institutions		134,657	122,348	147,233
Financing assets		988,649	859,421	840,815
Investment securities	11	549,374	573,453	595,228
Assets acquired for leasing		242,973	179,870	148,881
Investment properties		277,170	257,932	313,635
Development properties		178,381	179,577	120,118
Equity-accounted investees		82,626	81,274	22,210
Property, plant and equipment		25,129	25,602	168,140
Intangible assets		-	-	125,020
Other assets	12	203,863	248,160	339,148
Total assets		2,802,721	2,649,802	2,963,698
LIABILITIES				
Investors' funds		21,085	27,728	6,249
Placements from financial institutions, other entities and individuals	13	478,778	340,090	319,571
Customer current accounts		174,681	154,052	158,081
Financing liabilities	14	129,524	153,619	215,573
Other liabilities		88,607	135,977	183,468
Total liabilities		892,675	811,466	882,942
Equity of investment account holders		1,002,256	944,915	993,400
OWNERS' EQUITY				
Share capital		597,995	597,995	597,995
Treasury shares		(340)	(4,053)	(4,053)
Capital adjustment account		22,723	22,420	22,420
Statutory reserve		72,055	72,055	70,060
Retained earnings		10,528	6,581	18,177
Investments fair value reserve		-	(230)	(2,569)
Share grant reserve		893	893	893
Foreign currency translation reserve		-	-	(1,082)
Total equity attributable to shareholders of the Bank		703,854	695,661	701,841
Non-controlling interests		203,936	197,760	385,515
Total owners' equity (page 4)		907,790	893,421	1,087,356
Total liabilities, equity of investment account holders and owners' equity		2,802,721	2,649,802	2,963,698

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


 Ahmed Al Mutawa
 Chairman


 Mosabah Saif Al Mautairy
 Vice Chairman


 Hisham Alrayes
 Chief Executive Officer & Board member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2016

US\$ 000's

	Nine-months ended		Three-months ended	
	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Continuing operations				
Income from investment banking services	3,321	21,022	3,321	-
Fees and commission income	11,713	781	1,125	543
Income from placements with financial institutions	1,337	1,160	426	420
Income from financing assets and assets acquired for leasing	51,417	42,451	17,600	14,714
Share of profits of equity-accounted investees	1,353	3,025	1,228	1,187
Income from investment securities, net	2,618	11,074	2,370	1,197
Foreign exchange (loss) / gain, net	(2,442)	(601)	(1,010)	1,129
Gain on sale of investment property	46,082	-	-	-
Other income (note 15)	11,459	14,855	1,164	9,364
Total income before return to investment account holders and finance expenses	126,858	93,767	26,224	28,554
Return to investment account holders before Group's share as Mudarib	(31,937)	(32,241)	(10,515)	(11,186)
Group's share as Mudarib	18,326	18,482	5,731	6,690
Return to investment account holders	(13,611)	(13,759)	(4,784)	(4,496)
Less: Finance expense	(13,909)	(12,924)	(5,465)	(4,027)
Total income	99,338	67,084	15,975	20,031
Staff cost	27,174	22,931	7,345	6,705
Other operating expenses	37,405	25,871	10,104	8,250
Total expenses	64,579	48,802	17,449	14,955
Profit before impairment allowances	34,759	18,282	(1,474)	5,076
Less: Impairment allowances	(25,054)	(3,466)	(6,789)	(1,162)
Profit from continuing operations	9,705	14,816	(8,263)	3,914
Discontinued operations				
Profit from industrial business, net	-	3,165	-	407
PROFIT FOR THE PERIOD	9,705	17,981	(8,263)	4,321
Attributable to:				
Shareholders of the Bank	3,947	4,081	(7,578)	761
Non-controlling interests	5,758	13,900	(685)	3,560
	9,705	17,981	(8,263)	4,321
Earnings per share				
Basic and diluted earnings per share (US cents)	0.18	0.19	(0.34)	0.03
Earnings per share (continuing operations)				
Basic and diluted earnings per share (US cents)	0.18	0.19	(0.34)	0.03

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 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	Investments fair value reserve	Share grant reserve			Total
30 September 2016 (reviewed)										
Balance at 1 January 2016	597,995	(4,053)	22,420	72,055	6,581	(230)	893	695,661	197,760	893,421
Profit for the period (page 3)	-	-	-	-	3,947	-	-	3,947	5,758	9,705
Transfer to income statement on disposal	-	-	-	-	-	230	-	230	-	230
Total recognised income and expense	-	-	-	-	3,947	230	-	4,177	5,758	9,935
Purchase of treasury shares	-	(6,878)	-	-	-	-	-	(6,878)	-	(6,878)
Sale of treasury shares	-	10,591	-	-	-	-	-	10,591	-	10,591
Gain on sale of treasury shares	-	-	303	-	-	-	-	303	-	303
Issue of shares under employee incentive scheme	-	-	-	-	-	-	-	-	418	418
Balance at 30 September 2016	597,995	(340)	22,723	72,055	10,528	-	893	703,854	203,936	907,790

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

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2016 (continued)

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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 / (accumulat ed losses)	Investments fair value reserve	Share grant reserve	Foreign currency translation reserve			Total
30 September 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 (page 3)	-	-	-	-	4,081	-	-	-	4,081	13,900	17,981
Fair value changes	-	-	-	-	-	(203)	-	-	(203)	-	(203)
Foreign currency translation differences	-	-	-	-	-	-	-	(302)	(302)	(117)	(419)
Total recognised income and expense	-	-	-	-	4,081	(203)	-	(302)	3,576	13,783	17,359
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	-	(4,594)	-	-	-	-	-	-	(4,594)	-	(4,594)
Sale of treasury shares	-	1,453	-	-	-	-	-	-	1,453	-	1,453
Loss on sale of treasury shares	-	-	(302)	-	-	-	-	-	(302)	-	(302)
Share grants vesting expense, net of forfeitures	-	-	-	-	-	-	(236)	-	(236)	-	(236)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,979)	(3,979)
Movement in non-controlling interests	-	-	-	-	377	-	-	-	377	(377)	-
Balance at 30 September 2015	597,995	(4,053)	22,420	70,060	18,177	(2,569)	893	(1,082)	701,841	385,515	1,087,356

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2016

US\$ 000's

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	9,705	17,981
Adjustments for:		
Income from investment securities	(2,215)	(2,689)
Share of profit of equity-accounted investees	(1,228)	(2,874)
Foreign exchange (gain) / loss, net	2,442	601
Gain on sale of investment property	(46,082)	(21,022)
Other income	(7,521)	(9,431)
Finance expenses	13,909	12,924
Impairment allowances	25,054	3,466
Depreciation and amortisation	1,380	1,533
	(4,556)	489
Changes in:		
Financing assets	(129,228)	(58,187)
Assets acquired for leasing	(63,103)	(34,873)
Other assets	37,739	(53,952)
CBB Reserve balance	212	(6,804)
Investors' funds	(6,643)	(8,636)
Placements from financial, other entities and individuals	138,688	(23,677)
Customer current accounts	20,629	46,397
Equity of investment account holders	57,341	97,842
Other liabilities	(47,370)	33,595
	3,709	(7,806)
Net cash generated from / (used in) operating activities	3,709	(7,806)
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(681)	(5,432)
Purchase of investment securities	(64,514)	(203,440)
Proceeds from sale of investment securities	92,180	101,814
Proceeds from sale of investment property	8,191	5,642
Dividend / income from equity securities	8,355	2,743
	43,531	(98,673)
Net cash generated from / (used in) investing activities	43,531	(98,673)
FINANCING ACTIVITIES		
Financing liabilities, net	(40,401)	(31,073)
Finance expense paid	(12,031)	(8,335)
Dividend paid (including non-controlling interests)	-	(1,753)
Proceeds from issue of convertible murabaha	-	60,000
Sale of treasury shares, net	10,464	(7,081)
	(41,968)	11,758
Net cash (used in) / generated from financing activities	(41,968)	11,758
Net increase/(decrease) in cash and cash equivalents during period	5,272	(94,721)
Cash and cash equivalents at 1 January	194,460	333,659
CASH AND CASH EQUIVALENTS AT 30 September	199,732	238,938
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding balances with Central Bank in reserve account)	70,058	91,705
Placements with financial institutions	129,674	147,233
	199,732	238,938

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2016

US\$ 000's

30 September 2016 (reviewed)

Company	Balance at 1 January 2016			Movements during the period					Balance at 30 September 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
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	(53)	-	-	-	-	-	8,293	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	9,687
Locata Corporation Pty Ltd (RIA 6)	2,633	0.94	2,475	-	-	-	-	-	-	2,633	0.94	2,475
			57,657	(22,801)	(42)	-	-	-	-			34,868

30 September 2015 (reviewed)

Company	Balance at 1 January 2015			Movements during the period					Balance at 30 September 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
Mena Real Estate Company KSCC	150	0.35	52	-	-	-	-	-	-	150	0.35	52
Al Basha'er Fund	93	7.89	734	-	(48)	-	-	-	-	93	7.38	686
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	-	58	981	-	-	(249)	48,082	0.27	12,885
Shaden Real Estate Investment WLL (RIA 5)	8,100	2.65	21,485	(11,597)	-	-	-	-	-	3,728	2.65	9,888
Locata Corporation Pty Ltd (RIA 6)	2,633	1.00	2,633	-	-	-	-	-	-	2,633	1.00	2,633
			59,049	(11,597)	10	981	-	-	(249)			48,194

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 nine months ended 30 September 2016 US\$ 000's

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	16	-
Non-Islamic income	58	103
Total sources	74	103
Uses of zakah and charity fund		
Contributions to charitable organisations	(595)	(1,215)
Total uses	(595)	(1,215)
Deficit of sources over uses	(521)	(1,112)
Undistributed zakah and charity fund at beginning of the period	2,678	5,050
Undistributed zakah and charity fund at end of the period	2,157	3,938
Represented by:		
Zakah payable	269	2,031
Charity fund	1,888	1,907
	2,157	3,938

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2016

1 Reporting entity

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

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

Name of subsidiary	Equity interest	Place of business	Parent	Primary business activity
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 nine months ended 30 September 2016

4 Estimates

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

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

5 Financial risk management

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

6 Cyclicalities

Due to the inherent nature of the Group's business (investment banking, commercial banking and industrial business), the nine 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2015 included the profit of industrial business (net) amounting to US\$ 3,165 thousand (for the three months ended 30 September 2015: US\$ 407 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 and sold 70,752 thousand shares, out of which 36,953 thousand shares were towards the employees share incentive scheme.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2016

10 Cash and bank balances

	US\$ 000's		
	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2015 (reviewed)
Cash	17,250	17,302	15,971
Balances with banks	42,929	40,195	57,105
Balances with Central Bank of Bahrain			
- Current account	9,879	14,615	18,629
- Reserve account	49,841	50,053	51,565
	119,899	122,165	143,270

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

11 Investment securities

	US\$ 000's		
	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2015 (reviewed)
Equity type investments			
<i>At fair value through income statement:</i>			
- Quoted securities	539	377	377
- Quoted funds	-	-	9,221
- Unquoted managed fund	2,050	2,050	3,679
- Unquoted securities	40,180	58,297	58,297
	42,769	60,724	71,574
<i>At fair value through equity:</i>			
- Listed securities	105	15,242	1,973
- Unquoted managed funds	1,384	1,973	16,160
- Unquoted securities*	336,191	326,991	313,518
	337,680	344,206	331,651
Debt type investments			
<i>At amortised cost</i>			
- Sovereign sukuk (quoted)	135,472	159,397	163,437
- Corporate sukuk (quoted)	30,307	1,000	16,029
- Corporate sukuk (unquoted)	3,146	8,126	12,537
	168,925	168,523	192,003
	549,374	573,453	595,228

* 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 September 2015: US\$ 1 million) on such investments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2016

12 Other assets

	US\$ 000's		
	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2015 (reviewed)
Investment banking receivables	15,278	41,958	46,648
Financing to projects	36,390	79,997	84,496
Reimbursement right (note 18)	35,000	35,000	35,000
Receivable from sale of:			
- Investment securities	-	992	7,864
- Investment properties	37,952	-	-
- Development properties	10,000	10,000	15,000
Deposits and advances	17,312	20,198	5,330
Receivables from employees	13,273	14,008	13,341
Income from sukuk receivable	1,619	3,481	2,347
Inventories	-	-	27,429
Trade receivables	-	-	45,956
Lease rentals receivable	5,642	3,419	26,737
Prepayments and other receivables	31,397	39,107	29,000
	203,863	248,160	339,148

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		
	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2015 (reviewed)
<i>Financing liabilities of banking operations</i>			
- Murabaha financing	22,396	35,851	35,147
- Wakala financing	31,634	38,043	37,533
- Sukuk liability	49,311	69,904	69,025
<i>Financing liabilities of industrial business</i>			
- Short term loans	-	-	32,376
- Ijarah financing	-	-	6,986
- Term loans	-	-	17,445
- Murabaha financing	-	-	5,219
- Letter of credit	-	-	2,022
Other borrowing	26,183	9,821	9,820
	129,524	153,619	215,573

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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 nine 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.

Other borrowing represents borrowings against real estate assets.

15 **Other income**

Other income primarily comprises recoveries on previously impaired accounts US\$ 5.9 million and recovery arising from settlement of certain legal claims of US\$ 3.8 million.

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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:

Nine months ended 30 September 2016	US\$ 000's				
	Associates	Key management personnel	Entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from investment banking services	-	-	-	3,321	3,321
Management and other fees	-	-	6,000	1,042	7,042
Income from investment securities	(5,313)	-	-	-	(5,313)
Share of profit of equity-accounted investees	1,337	-	-	-	1,337
Expenses					
Return to investment account holders	21	3	204	24	252
Staff cost	-	2,066	-	-	2,066
Other expenses	-	-	11	-	11

Nine months ended 30 September 2015	US\$ 000's				
	Associates	Key management personnel	Entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from investment banking services	-	-	-	21,022	21,022
Income from financing assets and assets acquired for leasing	87	-	-	403	490
Fees and commission income	131	-	-	500	631
Income from investment securities	(507)	-	-	-	(507)
Share of profit of equity-accounted investees	3,025	-	-	-	3,025
Other income	-	-	-	554	554
Expenses					
Return to investment account holders	3	-	11	217	231
Staff cost	-	3,226	-	-	3,226
Other expenses	-	-	-	50	50

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17 Segment reporting

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

US\$ 000's

	Real estate development	Asset management	Private equity	Commercial banking	Unallocated / Elimination	Total
30 September 2016 (reviewed)						
Segment revenue	27,114	88	6,422	45,621	20,093	99,338
Segment expenses	26,917	1,977	15,306	34,162	11,271	89,633
Segment result	197	(1,889)	(8,884)	11,459	8,822	9,705
Segment assets	715,681	28,950	164,961	1,877,575	15,554	2,802,721
Segment liabilities	258,274	9,031	56,853	547,265	21,252	892,675
<i>Other segment information</i>						
Impairment allowance	15,000	-	224	9,830	-	25,054
Equity accounted investees	-	80,152	2,474	-	-	82,626
Equity of investment account holders	-	-	-	1,001,107	1,149	1,002,256
Commitments	44,000	-	-	274,530	-	318,530

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

	US\$ 000's					
	Real estate development	Asset management	Private equity *	Commercial banking	Unallocated / Elimination	Total
30 September 2015 (reviewed)						
Segment revenue	2,963	12,493	11,298	41,140	2,355	70,249
Segment expenses	9,518	1,605	7,096	24,849	9,200	52,268
Segment result	(6,555)	10,888	4,202	16,291	(6,845)	17,981
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	-	-	-	991,736	1,664	993,400
Commitments	47,000	-	-	214,794	-	261,794

* Includes segment result of discontinued operations, net.

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18 Commitments and contingencies

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

	30 September 2016 US\$ 000's (reviewed)	31 December 2015 US\$ 000's (audited)	30 September 2015 US\$ 000's (reviewed)
Undrawn commitments to extend finance	220,694	161,788	156,334
Financial guarantees	75,836	68,006	65,706
Commitment for infrastructure development	22,000	32,000	32,000
Capital commitments relating to construction of cement plant	-	-	114,136
Operating lease commitments			
- Within one year	-	-	226
- 1 – 5 years	-	-	932
- Over 5 years	-	-	1,394
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 September 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
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18 *Commitments and contingencies (continued)*

Subsequent to the period end, the Board of Directors have approved a settlement of pending claims with counterparties which will result in receipt of non financial assets. The value of the settlement and assets to be recovered is currently being estimated and once realised, will have a positive impact on GFH's financial position.

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

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

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

As at 30 September 2016 and 31 December 2015, the fair value of bank balances, placements with financial institutions, other financial assets, investors' fund, placements from financial institutions, individuals and other entities 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 September 2016, the fair value of financing liabilities was estimated at US\$ 126,375 thousand (carrying value US\$ 129,524 thousand) (31 December 2015: fair value US\$ 148,578 thousand (carrying value US\$ 153,619 thousand)) based on recent transactions for repurchase of liability instruments by the Bank. These may not necessarily represent active market quotes. In a normal (and not stressed) scenario, the carrying values would approximate fair value of financing liabilities as these are largely floating rate instruments which were re-priced recently as part of the debt restructuring process. The fair values of financial assets and liabilities of industrial business segment are determined on provisional basis and approximates the current carrying values.

Fair value hierarchy

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

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

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19 *Financial instruments (continued)*

		US\$ 000's			
30 September 2016 (reviewed)		Level 1	Level 2	Level 3	Total
Investment securities carried at					
-	fair value through income statement	539	-	42,230	42,769
-	fair value through equity	105	-	1,384	1,489
		644	-	43,614	44,258

		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	
	30 September 2016 (reviewed)	31 December 2015 (audited)
At beginning of the period	62,320	64,455
Gains (losses) in income statement	-	(2,135)
Purchases	-	-
Disposals	(18,706)	-
Transfers into (out) of Level 3	-	-
At end of the period	43,614	62,320

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