

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

30 September 2017

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	:	H.E. Shaikh Ahmed Bin Khalifa Al-Khalifa, <i>Chairman</i> Dr. Ahmed Al Mutawa, <i>Vice Chairman</i> Jassim AlSeddiqi Kamal Abdullah Bahamdan Mazen Bin Mohammed Al Saeed Mosabah Saif Al Mautairy Rashid Nasser Al Kaabi Ghazi F. Alhajeri Bashar Mohamed Al Mutawa Hisham Alrayes
Group Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

GFH FINANCIAL GROUP BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

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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

12 November 2017

Introduction

We have reviewed the accompanying 30 September 2017 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 2017;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2017;
- the condensed consolidated statement of changes in sources and uses of zakah and charity fund for the nine-month period ended 30 September 2017; 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 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

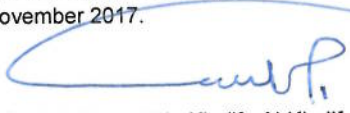
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2017


US\$ 000's

	note	30 September 2017 (reviewed)	31 December 2016 (audited)	30 September 2016 (reviewed)
ASSETS				
Cash and bank balances	9	196,677	156,448	119,899
Placements with financial institutions		219,605	213,898	134,657
Financing assets		1,004,511	961,490	988,649
Investment securities	10	502,627	527,203	549,374
Assets acquired-for-leasing		259,825	246,257	242,973
Investment properties		482,250	488,436	277,170
Development properties		883,465	280,972	178,381
Equity-accounted investees		117,852	79,010	82,626
Intangible assets		-	54,891	25,129
Property, plant and equipment		122,586	169,153	-
Other assets	11	207,770	125,643	203,863
Total assets		3,997,168	3,303,401	2,802,721
LIABILITIES				
Investors' funds		38,797	44,565	21,085
Placements from financial institutions, other entities and individuals		894,654	570,515	478,778
Customer current accounts		158,657	192,783	174,681
Financing liabilities	12	283,481	168,992	129,524
Other liabilities		263,585	182,649	88,607
Total liabilities		1,639,174	1,159,504	892,675
Equity of investment account holders		874,793	1,022,190	1,002,256
OWNERS' EQUITY				
Share capital	8	975,638	597,995	597,995
Treasury shares		(65,516)	(340)	(340)
Share premium	8	5,850	-	-
Capital adjustment account	8	-	24,320	22,723
Statutory reserve		95,475	93,768	72,055
Retained earnings		117,338	191,379	10,528
Share grant reserve		1,026	902	893
Fair value reserve		(98)	-	-
Total equity attributable to shareholders of the Bank		1,129,713	908,024	703,854
Non-controlling interests		353,488	213,683	203,936
Total owners' equity (page 4)		1,483,201	1,121,707	907,790
Total liabilities, equity of investment account holders and owners' equity		3,997,168	3,303,401	2,802,721

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 21 on 12 November 2017.


H.E. Shaikh Ahmed Bin Khalifa Al-Khalifa
Chairman


Dr. Ahmed Al Mutawa
Vice Chairman
& Chairman of the Audit committee


Hisham Alrayes
Chief Executive Officer & Board member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2017

US\$ 000's

	note	Nine-months ended		Three-months ended	
		30 September 2017 (reviewed)	30 September 2016 (reviewed)	30 September 2017 (reviewed)	30 September 2016 (reviewed)
Income from investment banking activities	13	94,182	3,321	20,307	3,321
Fee and commission income		5,509	11,713	2,030	1,125
Income from placements with financial institutions		2,196	1,337	484	426
Income from financing assets and assets acquired for leasing		54,655	51,417	18,458	17,600
Share of profits of equity-accounted investees, net		5,541	1,353	1,528	1,228
Income from investment securities, net		12,618	2,618	3,748	2,370
Foreign exchange gain / (loss), net		2,879	(2,442)	745	(1,010)
Gain on sale of investment property		-	46,082	-	-
Other income	15	38,709	1,677	25,959	1,164
Total income before return to investment account holders and finance expense		216,289	117,076	73,259	26,224
Return to investment account holders before Group's share as Mudarib		(31,125)	(31,937)	(9,106)	(10,515)
Group's share as Mudarib		16,072	18,326	4,624	5,731
Return to investment account holders		(15,053)	(13,611)	(4,482)	(4,784)
Finance expense		(32,200)	(13,909)	(13,135)	(5,465)
Operating income		169,036	89,556	55,642	15,975
Income from settlement of litigations		-	9,782	-	-
Total income		169,036	99,338	55,642	15,975
Staff cost		36,252	27,174	12,203	7,345
Investment advisory expenses		7,814	11,375	2,579	3,719
Other operating expenses		33,764	26,030	11,675	6,385
Total expenses		77,830	64,579	26,457	17,449
Profit / (loss) before impairment allowances		91,206	34,759	29,185	(1,474)
Impairment charge for the period		(165)	(25,054)	(3,661)	(6,789)
PROFIT / (LOSS) FOR THE PERIOD		91,041	9,705	25,524	(8,263)
Attributable to					
Shareholders of the Bank		87,233	3,947	25,093	(7,578)
Non-controlling interests		3,808	5,758	431	(685)
PROFIT / (LOSS) FOR THE PERIOD		91,041	9,705	25,524	(8,263)
Earnings per share					
Basic earnings per share (US cents)		3.55	0.16	1.04	(0.31)
Diluted earnings per share (US cents)		3.55	0.16	1.04	(0.31)

The condensed consolidated interim financial information consists of pages 2 to 21.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2017

US\$ 000's

	Attributable to shareholders of the Bank								Non – controlling interests	Total owners' equity	
	Share Capital	Share premium	Treasury shares	Capital adjustment account	Statutory reserve	Retained earnings	Share grant reserve	Fair value reserve			Total
30 September 2017 (reviewed)											
Balance at 1 January 2017	597,995	-	(340)	24,320	93,768	191,379	902	-	908,024	213,683	1,121,707
Profit for the period (page 3)	-	-	-	-	-	87,233	-	-	87,233	3,808	91,041
Total recognised income and expense	-	-	-	-	-	87,233	-	-	87,233	3,808	91,041
Issuance of share capital (note 8)	314,530	2,878	-	(24,320)	-	-	-	-	293,088	183,428	476,516
Bonus shares issued (note 8)	59,799	-	-	-	-	(59,799)	-	-	-	-	-
Dividends declared	-	-	-	-	-	(59,799)	-	-	(59,799)	-	(59,799)
Transfer to zakah and charity fund (page 8)	-	-	-	-	-	(3,509)	-	-	(3,509)	-	(3,509)
Acquisition of additional interests in subsidiaries and resulting changes in non-controlling interests (note 14)	-	-	-	-	1,707	(38,167)	(40)	-	(36,500)	(38,574)	(75,074)
Issue of shares under incentive scheme, net of forfeitures	3,314	3,564	-	-	-	-	164	-	7,042	-	7,042
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	-	(8,857)	(8,857)
Purchase of treasury shares	-	-	(81,683)	-	-	-	-	-	(81,683)	-	(81,683)
Sale of treasury shares	-	(592)	16,507	-	-	-	-	-	15,915	-	15,915
Change in fair value of investment securities	-	-	-	-	-	-	-	(98)	(98)	-	(98)
Balance at 30 September 2017	975,638	5,850	(65,516)	-	95,475	117,338	1,026	(98)	1,129,713	353,488	1,483,201

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the nine months ended 30 September 2017 (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	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2017

US\$ 000's

	30 September 2017 (reviewed)	30 September 2016 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	91,041	9,705
Adjustments for:		
Income from investment securities	(12,618)	(2,215)
Share of profit of equity-accounted investees	(5,541)	(1,228)
Foreign exchange (gain) / loss, net	(2,879)	2,442
Income from investment banking activities	(82,026)	(3,321)
Gain on sale of investment property	-	(46,082)
Other income	(18,000)	(7,521)
Finance expenses	32,200	13,909
Impairment allowances	165	25,054
Depreciation and amortisation	1,244	1,380
	3,586	(7,877)
Changes in:		
Placements with financial institutions (more than 3 months)	295	-
Financing assets	(33,921)	(129,228)
Assets acquired for leasing	(13,568)	(63,103)
Other assets	(40,953)	41,060
CBB Reserve balance	3,382	212
Investors' funds	(5,768)	(6,643)
Placements from financial, other entities and individuals	324,139	138,688
Customer current accounts	(34,126)	20,629
Equity of investment account holders	(147,397)	57,341
Other liabilities	9,407	(47,370)
	65,076	3,709
Net cash generated from operating activities		
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(1,091)	(681)
Purchase of investment securities	(161,848)	(64,514)
Proceeds from sale of investment securities	59,443	92,180
Proceeds from sale of private equity subsidiaries	108,694	-
Proceeds from sale of investment property	2,862	8,191
Dividend / income from investment securities	14,332	8,355
	22,392	43,531
Net cash generated from investing activities		
FINANCING ACTIVITIES		
Financing liabilities, net	131,754	(40,401)
Finance expense paid	(26,331)	(12,031)
Dividend paid	(59,799)	-
Acquisition of additional stake in a subsidiary	(15,228)	-
(Purchase) / sale of treasury shares, net	(69,426)	10,464
	(39,030)	(41,968)
Net cash used in financing activities		
Net increase/ in cash and cash equivalents during period	48,438	5,272
Cash and cash equivalents at 1 January	312,572	194,460
	361,010	199,732
CASH AND CASH EQUIVALENTS AT 30 September		
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB reserve account)	146,808	70,058
Placements with financial institutions (less than 3 months)	214,202	129,674
	361,010	199,732

The condensed consolidated interim financial information consists of pages 2 to 21.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2017

30 September 2017 (reviewed)	Balance at 1 January 2017			Movements during the period					Balance at 30 September 2017			
	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	0.33	49	-	-	-	-	-	-	150	0.33	49
Al Basha'er Fund	93	6.85	637	(532)	(12)	-	-	-	-	13	7.27	93
Safana Investment (RIA 1)	6,304	2.65	16,721	(133)	-	-	-	-	-	6,254	2.65	16,588
Shaden Real Estate Investment WLL (RIA 5)	3,652	2.65	9,686	(300)	-	-	-	-	-	3,539	2.65	9,386
Locata Corporation Pty Ltd (RIA 6)	2,633	1.01	2,634	-	-	-	-	-	-	2,633	1.01	2,634
			29,727	(965)	(12)	-	-	-	-			28,750

30 September 2016 (reviewed)	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
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	(53)	-	-	-	-	-	8,293	2.65	21,997
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
			57,657	(22,801)	(42)	-	-	-	-			34,814

The condensed consolidated interim financial information consists of pages 2 to 21.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND
for the nine months ended 30 September 2017 US\$ 000's

	30 September 2017 (reviewed)	30 September 2016 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	4,481	16
Non-Islamic income	-	58
Total sources	4,481	74
Uses of zakah and charity fund		
Contributions to charitable organisations	(2,747)	(595)
Total uses	(2,747)	(595)
Surplus / (Deficit) of sources over uses		
Undistributed zakah and charity fund at beginning of the period	1,734	(521)
	2,160	2,678
Undistributed zakah and charity fund at end of the period	3,894	2,157
Represented by:		
Zakah payable	27	269
Charity fund	3,867	1,888
	3,894	2,157

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

1 Reporting entity

The condensed consolidated interim financial information for the nine months ended 30 September 2017 comprise the financial information of GFH Financial Group BSC (GFH or the “Bank”) and its subsidiaries (together referred to as “the Group”).

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

Investee name	Country of incorporation	Parent / Owing Company	Effective ownership interests 2017	Activities	
GFH Capital Limited	United Arab Emirates	GFH	100%	Investment management	
Khaleeji Commercial Bank BSC ('KHCB') *	Kingdom of Bahrain		55.41%*	Islamic retail bank	
Morocco Gateway Investment Company ('MGIC') *	Cayman Islands		89.26%	Real estate development	
Tunis Bay Investment Company ('TBIC') *			51.41%	Real estate development	
Energy City Navi Mumbai Investment Company & Mumbai IT & Telecom Technology Investment Company (together “India Projects”) *			77.20%	Real estate development	
Al Areen Hotels SPC	Kingdom of Bahrain		100%	Hospitality management	
Al Areen Project companies			100%	Real estate development	
Al Areen Leisure and Tourism Company – The Lost Paradise of Dilmun SPC ('LPOD')			100%	Amusement and theme park	
Surooh Company ('Surooh')	Cayman Islands		KHCB	10.00%	To construct and sell properties at “Oryx Hills”.
Eqarat Al Khaleej ('Eqarat')				19.80%	To buy, sell and renting income producing properties across the GCC.

* Refer note 14

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 2016. 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 2016.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017**

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 financial statements for the year ended 31 December 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 2016.

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 2016.

6 Seasonality

Due to the inherent nature of the Group's business (investment banking, commercial banking and real estate development), the nine month results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results. During the period, the Group recognised gains in the condensed consolidated income statement amounting to US\$ 9 million related to certain recovery transactions in the books of KHCB. These transactions were recognised in the prior year financial statements of KHCB after obtaining requisite regulatory approvals. The Group had not included these transactions in its prior year results on the date of approval of its consolidated financial statements. This adjustment is considered to be a non-recurring item in the current period 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 2016 and the reviewed condensed consolidated interim financial information for the nine months ended 30 September 2016. 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 nine months ended 30 September 2016.

8 Appropriations and changes in capital structure

Appropriations, if any, are made when approved by the shareholders. In the ordinary and extraordinary general meetings held on 1 March 2017, shareholders approved the following:

- a) Dividend of 20% of the paid-up share capital amounting to US\$ 119.6 million comprising 10% cash and 10% bonus shares;
- b) Appropriation of US\$ 2 million towards charity reserve;
- c) Appropriation of US\$ 1.5 million towards zakah fund; and
- d) Authorise board of directors to issue new shares upto 300,000,000 for the benefit of GFH Employee Benefit Trust towards staff performance incentive program.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

8 *Appropriations and changes in capital structure (continued)*

- e) Increase the authorised share capital of the Bank from US\$ 1.5 billion to US\$ 2.5 billion divided into 9,433,962,264 shares at par value of US\$ 0.265 per share;
- f) Issue of upto 1,700,000,000 new shares for acquisition of a number of infrastructure projects and investment funds; and
- g) Issue of upto 1,700,000,000 new shares at a nominal value of US\$ 0.265 per share and a share premium to be determined by the Board of Directors as per market conditions, to be used for the acquisition of a number of financial institutions and strategic assets.

The Bank is in the process of amending the memorandum and articles of association to reflect the above.

Investment offering

After obtaining the requisite approvals, the Group offered to its investors in certain infrastructure projects and investment funds to acquire their holdings in return for pre-determined number of the Bank's shares (note 14). Subscriptions for 1,186,904,148 shares of the Bank were made up to the final closing period of 15 August 2017. Shares were issued to the subscribers resulting in increase in share capital by US\$ 314,530 thousand. Excess over the par value of US\$ 0.265 per share has been considered as share premium and reflected accordingly under share premium account (including transfer from capital adjustment account).

9 **Cash and bank balances**

	30 September 2017 US\$ 000's (reviewed)	31 December 2016 US\$ 000's (audited)	30 September 2016 US\$ 000's (reviewed)
Cash	20,972	18,271	17,250
Balances with banks	73,717	53,281	42,929
Balances with Central Bank of Bahrain			
- Current account	52,704	32,230	9,879
- Reserve account	49,284	52,666	49,841
	196,677	156,448	119,899

The reserve account with the Central Bank of Bahrain and bank balances of US\$ 585 thousand are not available for day-to-day operations purposes of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2017

10 Investment securities

	30 September 2017 US\$ 000's (reviewed)	31 December 2016 US\$ 000's (audited)	30 September 2016 US\$ 000's (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Quoted securities	-	377	539
- Unquoted managed fund	-	-	2,050
- Unquoted securities	40,180	40,180	40,180
	40,180	40,557	42,769
<i>At fair value through equity</i>			
- Unquoted managed funds (at fair value)	-	1,973	1,384
- Listed securities (at fair value)	103	103	105
- Unquoted securities (at cost) *	164,344	287,180	336,191
- Quoted sukuk (at fair value)	10,212	-	-
	174,659	289,256	337,680
Debt type investments			
<i>At amortised cost</i>			
- Quoted sukuk **	286,791	194,809	165,779
- Unquoted sukuk	997	2,581	3,146
	287,788	197,390	168,925
	502,627	527,203	549,374

* Unquoted equity securities classified at fair value through equity 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.

** Includes sukuk of US\$ 130 million pledged against medium term borrowing of US\$ 109 million included under other borrowings (note 12).

11 Other assets

	30 September 2017 US\$ 000's (reviewed)	31 December 2016 US\$ 000's (audited)	30 September 2016 US\$ 000's (reviewed)
Investment banking receivables	4,824	-	2,687
Financing to projects, net	18,630	18,003	47,744
Reimbursement right	-	-	35,000
Receivable from sale of:			
- Investment property	25,000	37,952	37,952
- Development property	10,000	10,000	10,000
Deposits and advances	37,503	19,835	17,435
Employee receivables	18,184	19,786	13,273
Income from sukuk receivable	2,302	3,902	1,619
Lease rentals receivable	18,377	6,825	5,642
Prepayments and other receivables	72,950	9,340	32,511
	207,770	125,643	203,863

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12 Financing liabilities

	30 September 2017	31 December 2016	30 September 2016
	US\$ 000's (reviewed)	US\$ 000's (audited)	US\$ 000's (reviewed)
Murabaha financing	43,814	-	22,396
Wakala and tawarroq financing	59,798	66,959	31,634
Sukuk liability	24,933	50,059	49,311
Ijarah financing	15,381	16,571	-
Other borrowings	139,555	35,403	26,183
	283,481	168,992	129,524

Additional financing liabilities obtained during the nine months period ended 30 September 2017 are given below:

Murabaha financing

Murabah financing comprise financing facilities obtained during the year from financial institutions for a period of 3 to 5 years with profit rate ranging from 6 month LIBOR / EIBOR plus a margin of 3% to 4.5% p.a. (subject to minimum 6% p.a.) The Murabaha financing is secured by a pledge over the Group's investment in shares of KHCB.

Tawarroq financing

The US\$ 15 million facility has been obtained during the year for general corporate purposes for a period of 5 years at a profit rate of LIBOR plus margin of 6% (subject to a minimum of 7%). The facility is secured by a mortgage of Group's investment in shares of KHCB.

Sukuk liability

During the period, sukuk liability amounting to US\$ 24.7 million was repaid.

Other borrowings

These comprise financing availed by subsidiaries of the Bank relating to project development and working capital requirements.

13 Income from investment banking activities

This mainly comprise US\$ 61,719 thousand from placement of private equity subsidiaries and US\$ 32,463 thousand from other investment products.

In 2016, the Group acquired, an educational institution held through two subsidiaries, one subsidiary holding the operations and another holding the property. During the first quarter, the Group sold part of its stake in the subsidiary holding the operations resulting in the Group losing control over the subsidiary. Accordingly, the Group has derecognized the operations of the educational institution on loss of control and recognised the retained interests as an investment in joint venture which is included under "Equity-accounted investees".

The disposal had the following impact on the condensed consolidated interim financial information as at 30 September 2017:

	US\$ 000's
Total assets derecognized on loss of control	81,027
Total liabilities derecognized on loss of control	(21,027)
Carrying value of retained interest in investment	(30,600)
Net assets derecognised on loss of control	29,400

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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13 *Income from investment banking activities (continued)*

	US\$ 000's
Gross consideration received	55,000
Less: Net assets derecognised on loss of control	(29,400)
Gain on disposal of a subsidiary	25,600

The effect of disposal for the purpose of cash flow statement is given below:

	US\$ 000's
Gross consideration received	55,000
Less: Cash and bank balance deconsolidated on loss of control	(2,034)
Net cash generated from disposal of a subsidiary	52,966

During the second quarter, the Group sold the whole subsidiary holding the property for US\$ 55 million resulting in a gain of US\$ 36 million.

14 Acquisition of subsidiaries

Pursuant to the approval by the shareholders in the Extraordinary General Meeting held on 1 March 2017, the Group has offered shares of the Bank to acquire the holdings of its investors in various infrastructure projects and investment funds. The Group had acquired the additional stake in the following infrastructure projects resulting in the Group obtaining control over these projects as at 30 September 2017, accordingly, these have been consolidated in these condensed consolidated interim financial information.

The Group's existing stake and additional stake acquired are given below:

	Current Stake	Additional stake acquired *	Total stake
TBIC	13%	38.41%	51.41%
India Projects	7.52%	69.68%	77.20%

Consideration transferred and non-controlling interests

The consideration transferred in the acquisition of assets were in the form of shares of GFH. Given the nature of the repurchase transaction and the basis of determination of swap ratios for each asset by the shareholders, the transaction has been treated similar to a capital increase through transfer of non-cash assets in which the value of the asset received has been considered as the basis for measurement for increase in equity. The Group has used the acquisition-date expected realisable value of assets and settlement amount of liabilities of the entities acquired for the acquisition accounting and as consideration received for shares issued resulting in no gain or loss on initial recognition. The stake held by shareholders other than the Group in the subsidiaries is recognised in the condensed consolidated interim financial information under "Non-controlling interests" based on the proportionate share of non-controlling shareholders' in the recognised amounts of the investee's net assets.

Identifiable assets acquired and liabilities assumed

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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14 *Acquisition of subsidiaries (continued)*

The reported amounts below represent the adjusted acquisition carrying values of the acquired entities as at 30 September 2017, being the effective date of acquisition, have been reported on a provisional basis as permitted by accounting standards.

Given the size, geographic dispersion and inherent complexity involved in the acquisition, the Group, as on date of issue of this condensed consolidated interim financial information, has not concluded on the determination of fair value of tangible and intangible assets acquired, liabilities assumed and residual goodwill arising from the acquisition. The estimates of fair values for tangible and intangible assets acquired and liabilities assumed is subject to significant judgement and shall be determined by management using appropriate valuation approaches and asset appraisals at the effective date. No goodwill or negative goodwill has been recognised on the effective date.

Carrying value of assets acquired and liabilities assumed at the effective date were:

	TBIC US\$ 000's	India Projects US\$ 000's
Property, plant and equipment	56	-
Cash and bank balances	184	-
Development properties	206,794	365,176
Other assets	608	40,566
Total assets	207,642	405,742
Other payables	1,897	54,617
Total liabilities	1,897	54,617
Total net identifiable assets and liabilities	205,745	351,125

	TBIC US\$ 000's	India Projects US\$ 000's
Carrying value of Group's previously held equity interest in investee companies	30,000	51,207
Value of consideration transferred in shares	75,779	216,010
Non-controlling interests recognised	99,966	83,908
Total consideration	205,745	351,125

Also, during the period, the Group has acquired additional interests in the following subsidiaries.

	Current stake	Additional stake acquired	Total Stake
KHCB	46.97%	8.44%	55.41%
MGIC	33.53%	55.73%	89.26%

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14 *Acquisition of subsidiaries (continued)*

The acquisition of additional interests had the following effect on the condensed consolidated interim financial information:

	US\$ 000's
Proportionate share of net assets acquired (at book value)	36,223
Consideration	69,100

Consideration for acquisition of additional stake in KHCB was in cash and MGIC was in the form of 203,291,786 shares in the Bank.

15 **Related party transactions**

The significant related party balances are not materially different from the the amounts reported as at 31 December 2016 except for those arising from consolidation of subsidiaries and acquisition of certain assets under management (refer note 8). Other significant related party transactions entered during the period are given below:

	(US\$ 000's)				
Nine months ended 30 September 2017 (reviewed)	Associates	Key management personnel	Entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from investment banking activities	-	-	26,867	31,195	58,062
Management and other fees	-	-	-	1,221	1,221
Share of profit of equity-accounted investees	5,541	-	-	-	5,541
Income from investment securities	1,588	-	-	819	2,407
Other income	135	-	18,000*	-	18,135
Expenses					
Finance expense	-	-	6,575	-	6,575
Staff cost	-	9,663	-	-	9,663
Other expenses	-	-	-	204	204
Return to investment account holders	71	11	347	26	455

* Other income includes US\$ 18 million relating to a real estate sale transaction with a related party.

Nine months ended 30 September 2016 (reviewed)	Associates	Key management personnel	Entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from investment management 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

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16 Segment reporting

The Group is organised into business units based on their nature of operations and independent reporting entities and has three reportable operating segments namely Real estate development, investment banking and commercial banking.

US\$ 000's

	Real estate development	Investment banking	Commercial banking	Unallocated / Elimination	Total
30 September 2017 (reviewed)					
Segment revenue	20,573	99,658	46,953	1,852	169,036
Segment expenses	(10,267)	(25,560)	(27,973)	(14,195)	(77,995)
Segment result	10,306	74,098	18,980	(12,343)	91,041
Segment assets	1,428,757	741,680	1,802,989	23,742	3,997,168
Segment liabilities	591,817	235,901	777,455	34,001	1,639,174
<i>Other segment information</i>					
Impairment allowance	-	1,433	(1,598)	-	(165)
Equity accounted investees	5,702	99,917	12,233	-	117,852
Equity of investment account holders	-	-	873,633	1,160	874,793
Commitments	20,000	14,589	175,564	-	210,153

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16 *Segment reporting (continued)*

US\$ 000's

	Real estate development	Investment banking	Commercial banking	Unallocated / Elimination	Total
30 September 2016 (reviewed)					
Segment	27,114	6,510	45,621	20,093	99,338
Segment expenses	26,917	17,283	34,162	11,271	89,633
Segment result	197	(10,773)	11,459	8,822	9,705
Segment assets	715,681	193,911	1,877,575	15,554	2,802,721
Segment liabilities	258,274	65,884	547,265	21,252	892,675
<i>Other segment information</i>					
Impairment allowance	15,000	224	9,830	-	25,054
Equity accounted investees	-	82,626	-	-	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 Commitments and contingencies

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

	30 September 2017 US\$ 000's (reviewed)	31 December 2016 US\$ 000's (audited)	30 September 2016 US\$ 000's (reviewed)
Undrawn commitments to extend finance	118,653	174,527	220,694
Financial guarantees	71,500	85,129	75,836
Commitment for infrastructure development	20,000	20,000	22,000
Commitment to invest	-	10,696	-

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 2017 due to the performance of any of its projects.

Litigations, claims and contingencies

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

18 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 2017 and 31 December 2016, 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.

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18 *Financial instruments (continued)*

Financing liabilities

As at 30 September 2017, the fair value of financing liabilities was estimated at US\$ 283,481 thousand (carrying value US\$ 283,481 thousand) (31 December 2016: fair value US\$ 159,545 thousand (carrying value US\$ 168,992 thousand)). These may not necessarily represent active market quotes. In a normal (and not stressed) scenario excluding adjustments for own credit risk, 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.

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 September 2017 (reviewed)

Investment securities carried at

- fair value through income statement
- fair value through equity

	Level 1	Level 2	Level 3	Total
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
- fair value through income statement	-	-	40,180	40,180
- fair value through equity	10,315	-	-	10,315
	10,315	-	40,180	50,495

31 December 2016 (audited)

Investment securities carried at

- fair value through income statement
- fair value through equity

	Level 1	Level 2	Level 3	Total
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
- fair value through income statement	377	-	40,180	40,557
- fair value through equity	103	-	1,973	2,076
	480	-	42,153	42,633

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

	30 September 2017 US\$ 000's (reviewed)	31 December 2016 US\$ 000's (audited)
At beginning of the period	42,153	62,320
Gains / (losses) in consolidated income statement	-	(2,050)
Purchases	-	-
Disposals	(1,973)	(18,117)
Transfers into / (out of) Level 3	-	-
At end of the period	40,180	42,153

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19 SUBSEQUENT EVENTS

Subsequent to the period end, the Group acquired additional interest in a joint venture resulting in the entity becoming a wholly owned subsidiary of the Group.

20 COMPARATIVES

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.