



CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2017 / US\$ 000's	31 December 2017	31 December 2016
ASSETS		
Cash and bank balances	216,445	156,448
Placements with financial institutions	95,569	213,898
Financing assets	992,502	961,490
Investment securities	521,408	527,203
Assets acquired for leasing	257,806	246,257
Investment properties	616,263	488,436
Development properties	893,037	280,972
Equity-accounted investees	81,440	79,010
Intangible assets	-	54,891
Property, plant and equipment	117,135	169,153
Other assets	318,852	125,643
Total assets	4,110,457	3,303,401
LIABILITIES		
Investors' funds	39,413	44,565
Placements from financial institutions, other entities and individuals	858,496	570,515
Customer current accounts	189,607	192,783
Financing liabilities	365,062	168,992
Other liabilities	255,733	182,649
Total liabilities	1,708,311	1,159,504
Equity of investment account holders	906,353	1,022,190
OWNERS' EQUITY		
Share capital	975,638	597,995
Share premium	3,058	-
Treasury shares	(58,417)	(340)
Capital adjustment account	-	24,320
Statutory reserve	105,893	93,768
Retained earnings	122,825	191,379
Share grant reserve	1,026	902
Total equity attributable to shareholders of the Bank	1,150,023	908,024
Non-controlling interests	345,770	213,683
Total owners' equity	1,495,793	1,121,707
Total liabilities, equity of investment account holders and owners' equity	4,110,457	3,303,401

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY for the year ended 31 December 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	Total		
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	-	-	-	-	-	104,182	-	104,182	(994)	103,188
Total recognised income and expense	-	-	-	-	-	104,182	-	104,182	(994)	103,188
Issuance of share capital	314,530	2,896	-	(24,320)	-	-	-	293,106	176,754	469,860
Bonus shares issued	59,799	-	-	-	-	(59,799)	-	-	-	-
Dividends declared	-	-	-	-	-	(59,799)	-	(59,799)	-	(59,799)
Transfer to zakah and charity fund	-	-	-	-	-	(3,509)	-	(3,509)	-	(3,509)
Acquisition of additional interests in subsidiaries and resulting changes in non-controlling interests, net	-	-	-	-	1,707	(39,211)	(40)	(37,544)	(34,816)	(72,360)
Transfer to statutory reserve	-	-	-	-	10,418	(10,418)	-	-	-	-
Issue of shares under incentive scheme, net of forfeitures	3,314	3,564	-	-	-	-	164	7,042	-	7,042
Derecognition of a subsidiary on loss of control	-	-	-	-	-	-	-	-	(8,857)	(8,857)
Purchase of treasury shares	-	-	(82,839)	-	-	-	-	(82,839)	-	(82,839)
Sale of treasury shares	-	(3,402)	24,762	-	-	-	-	21,360	-	21,360
Balance at 31 December 2017	975,638	3,058	(58,417)	-	105,893	122,825	1,026	1,150,023	345,770	1,495,793

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued) for the year ended 31 December 2017 / (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	Investment fair value reserve	Share grant reserve	Total		
Balance at 1 January 2016	597,995	(4,053)	22,420	72,055	(4,033)	(230)	893	685,047	197,760	882,807
Profit for the year	-	-	-	-	217,125	-	-	217,125	15,923	233,048
Transfer to income statement on disposal	-	-	-	-	-	230	-	230	-	230
Total recognised income and expense	-	-	-	-	217,125	230	-	217,355	15,923	233,278
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	-	-	1,900	-	-	-	-	1,900	-	1,900
Transfer to statutory reserve	-	-	-	21,713	(21,713)	-	-	-	-	-
Share grants vesting expense, net of forfeitures	-	-	-	-	-	-	9	9	-	9
Balance at 31 December 2016	597,995	(340)	24,320	93,768	191,379	-	902	908,024	213,683	1,121,707

The consolidated financial statements were approved by the Board of Directors on 13 February 2018 and signed on its behalf by:

H.E. Sh. Ahmed Bin Khalifa Al Khalifa
Chairman

Dr. Ahmed Al-Mutawa
Vice Chairman & Chairman
of the Audit Committee

Hisham Alrayes
Chief Executive Officer & Board Member

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2017 / US\$ 000'	2017	2016
Continuing operations		
Income from investment banking activities	121,294	3,322
Fees and commission income	6,631	15,399
Income from placements with financial institutions	3,177	1,818
Income from financing assets and assets acquired for leasing	73,377	70,148
Share of profits of equity-accounted investees	(248)	846
Income from investment securities, net	11,313	3,888
Foreign exchange gain / (loss), net	4,050	(2,424)
Gain on sale of investment property	-	46,082
Other income, net	48,211	8,820
Operating income before return to investment account holders and finance expense	267,805	147,899
Return to investment account holders before Group's share as Mudarib	(39,480)	(43,200)
Bank's share as Mudarib	19,726	24,219
Return to investment account holders	(19,754)	(18,981)
Less: Finance expense	(43,692)	(23,437)
Operating income	204,359	105,481
Income from settlement of litigations	-	464,567
Total income	204,359	570,048
Staff cost	40,914	53,964
Investment advisory expenses	8,778	16,504
Other operating expenses	49,387	49,072
Total expenses	99,079	119,540
Profit before impairment allowances	105,280	450,508
Less: Impairment allowances	(9,381)	(221,112)
Profit for the year from continuing operations	95,899	229,396
Discontinued operations		
Profit from operations of non-banking subsidiaries, net	7,289	3,652
PROFIT FOR THE YEAR	103,188	233,048
Profit for the year attributable to:		
Shareholders of the Bank	104,182	217,125
Non-controlling interests	(994)	15,923
	103,188	233,048
Earnings per share		
Basic and diluted earnings per share (US cents)	3.58	8.80
Earnings per share - continuing operations		
Basic and diluted earnings per share (US cents)	3.30	8.65

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2017 / US\$ 000's	2017	2016
OPERATING ACTIVITIES		
Profit for the year	103,188	233,048
Adjustments for:		
Income from investment banking activities	(80,511)	-
Income from investment securities	(11,313)	(3,888)
Share of loss / (profit) of equity-accounted investees	248	(846)
Foreign exchange (gain) / loss	(4,050)	2,424
Other income	(18,000)	(14,073)
Gain on sale of investment and development properties	-	(46,082)
Income from settlement of litigations	-	(464,567)
Profit from operations of non-banking subsidiaries	(7,289)	(3,655)
Finance expense	43,692	23,437
Depreciation and amortisation	6,279	3,784
Impairment allowances	9,381	221,112
	41,625	(49,306)
Changes in:		
Placements with financial institutions	3,193	(5,108)
Financing assets	(21,912)	(102,069)
Asset acquired for leasing	(11,549)	(66,387)
Other assets	(97,437)	90,405
Investors' funds	(5,152)	16,837
Placements from financial institutions, other entities and individuals	287,981	230,425
Customer current accounts	(3,176)	38,731
Other liabilities	9,049	(64,457)
Equity of investment account holders	(115,837)	77,275
CBB reserve account	6,354	(2,613)
Net cash generated from operating activities	93,139	163,733
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(921)	(1,118)
Purchase of investment securities	(220,030)	(93,546)
Proceeds from sale of investment securities	51,875	91,531
Dividend and income from investment securities	14,857	9,422
Proceeds from sale of investment and development properties	1,857	7,353
Proceeds from sale of private equity subsidiaries	53,694	-
Net cash (used in) / generated from investing activities	(98,668)	13,642
FINANCING ACTIVITIES		
Financing liabilities, net	126,255	(42,310)
Finance expense paid	(36,245)	(20,666)
(Purchase) / sale of treasury shares, net	(65,139)	3,713
Dividends paid	(59,799)	-
Acquisition of additional shares in a subsidiary	(15,228)	-
Net cash used in financing activities	(50,156)	(59,263)
Net (decrease) / increase in cash and cash equivalents	(55,685)	118,112
Cash and cash equivalents at 1 January	312,572	194,460
CASH AND CASH EQUIVALENTS at 31 December	256,887	312,572
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB reserve account and restricted bank balances)	169,619	103,782
Placements with financial institutions (with original maturity of three months or less)	87,268	208,790
	256,887	312,572

The above Consolidated Statement of Financial Position, Income Statement, Statement of Cash Flow and the Changes in Owners' Equity have been extracted from Consolidated Financial Statements of GFH Financial Group B.S.C. for the year ended 31st December 2017, which were audited by KPMG, who have expressed an Unqualified Opinion on 13 February 2018.