GFH FINANCIAL GROUP BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2019

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29th Floor Building 1398, East Tower Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Jassim Al Seddiqi, *Chairman* H.E. Shaikh Ahmed Bin Khalifa Al-Khalifa, *Vice Chairman* Hisham Alrayes Amro Saad Omar Al Menhali Mazen Bin Mohammed Al Saeed Mosabah Saif Al Mautairy Ghazi F. Alhajeri Bashar Mohamed Al Mutawa Rashid Nasser Al Kaabi Mustafa Kheriba
Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

GFH FINANCIAL GROUP BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

CONTENTS Page

Independent auditors' report on review of condensed consolidated interim financial information 1

Condensed consolidated interim financial information
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 9-23

KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: www.kpmg.com/bh
CR No. 6220

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 May 2019

Introduction

We have reviewed the accompanying 31 March 2019 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 31 March 2019;
- the condensed consolidated income statement for the three-month period ended 31 March 2019;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2019;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2019;
- the condensed consolidated statement of changes in restricted investment accounts for the three-month period ended 31 March 2019;
- the condensed consolidated statement of changes in sources and uses of zakah and charity fund for the three-month period ended 31 March 2019; 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 31 March 2019 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.

KPMG

KPMG Fakhro, a Bahrain partnership registered with Ministry of Industry and Commerce (MOIC), Kingdom of Bahrain and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019 US$ 000's

	note	31 March 2019 (reviewed)	31 December 2018 (audited)	31 March 2018 (reviewed)
ASSETS				
Cash and bank balances		541,851	341,567	193,919
Treasury portfolio	9	1,477,225	818,000	419,553
Financing assets	10	1,272,561	1,208,947	1,195,862
Real estate Investments	11	1,824,879	1,840,010	1,516,429
Proprietary investments	12	271,336	234,012	249,222
Co-investments	13	77,590	77,644	77,044
Assets held-for-sale	14	147,141	147,141	-
Receivables and prepayments		269,456	229,142	203,525
Property and equipment		24,122	92,902	117,377
Total		**5,906,161**	4,989,365	3,972,931
LIABILITIES				
Clients' funds		41,028	46,639	35,183
Placements from financial, non-financial institutions and individuals		2,598,149	1,628,389	841,979
Customer current accounts		161,463	177,906	188,684
Term financing	15	238,151	256,137	367,035
Liabilities directly associated with assets held-for-sale	14	42,749	42,749	-
Payables and accruals		468,338	517,857	310,954
Total		**3,549,878**	2,669,677	1,743,835
Equity of investment account holders		**947,176**	896,910	812,326
OWNERS' EQUITY				
Share capital		975,638	975,638	975,638
Share premium		-	-	2,191
Treasury shares	8	(72,518)	(85,424)	(60,636)
Statutory reserve		117,301	117,301	105,893
Fair value reserve		(5,641)	(4,725)	1,139
Foreign currency translation reserve		(45,372)	(43,380)	-
Retained earnings		77,887	98,318	59,670
Share grant reserve		1,086	1,086	1,026
Total equity attributable to shareholders of Bank		**1,048,381**	1,058,814	1,084,921
Non-controlling interests		320,170	323,408	331,849
Non-controllintg interests held-for-sale		40,556	40,556	-
Total owners' equity		**1,409,107**	1,422,778	1,416,770
Total liabilities, equity of investment account holders and owners' equity		**5,906,161**	4,989,365	3,972,931

The Board of Directors approved the condensed consolidated interim financial information on 13 May 2019 and signed on its behalf by:

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

Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 22 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2019 US$ 000's

	note	Three months ended	
		31 March 2019	31 March 2018
Continuing operations		(reviewed)	(reviewed)
Investment banking income			
Asset management		735	537
Deal related income		6,654	8,900
		7,389	*9,437*
Commercial banking income			
Income from financing		19,300	16,504
Treasury and investment income		8,122	3,984
Fee and other income		1,793	1,828
Less: Return to investment account holders		(8,796)	(5,544)
Less: Finance expense		(6,458)	(5,459)
		13,961	*11,313*
Income from proprietary and co-investments			
Direct investment income, net		(230)	3,474
Restructuring related income	16	29,406	35,300
Dividend from co-investments		259	571
		29,435	*39,345*
Real estate income			
Development and sale		7,476	3,200
Rental and operating income		562	562
		8,038	*3,762*
Treasury and other income			
Finance income from treasury activities		5,264	738
Dividend and gain on treasury investments		5,783	-
Other income, net		252	1,265
		11,299	*2,003*
Total income		**70,122**	65,860
Operating expenses		21,436	21,287
Finance expense		23,707	7,168
Impairment allowances	17	3,812	1,674
Total expenses		**48,955**	30,129
Profit from continuing operations		**21,167**	35,731
(Loss) / profit from assets held-for-sale and discontinued operations, net		(467)	1,164
Profit for the period		**20,700**	36,895
Attributable to:			
Shareholders of Bank		21,362	36,479
Non-controlling interests		(662)	416
		20,700	36,895
Earnings per share			
Basic and diluted earnings per share (US cents)		**0.63**	1.02
Earnings per share – continuing operations			
Basic and diluted earnings per share (US cents)		**0.61**	1.02

The accompanying notes 1 to 22 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2019 US$ 000's

31 March 2019 (reviewed)	**Attributable to shareholders of the Bank**								**Non controlling interests**	**Non controlling interests held-for-sale**	**Total owners' equity**
	Share capital	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Share grant reserve**	**Fair value reserve**	**Foreign currency translation reserve**	**Total**			
Balance at 1 January 2019 *	975,638	(85,424)	117,301	98,318	1,086	(4,725)	(43,380)	1,058,814	323,408	40,556	1,422,778
Profit for the period	-	-	-	21,362	-	-	-	21,362	(662)	-	20,700
Fair value changes during the period	-	-	-	-	-	(916)	-	(916)	-	-	(916)
Foreign currency translation differences	-	-	-	-	-	-	(1,992)	(1,992)	(2,353)	-	(4,345)
Total recognised income and expense for the period	**-**	**-**	**-**	**21,362**	**-**	**(916)**	**(1,992)**	**18,454**	**(3,015)**	**-**	**15,439**
Dividends declared (note 8)	-	-	-	(30,000)	-	-	-	(30,000)	-	-	(30,000)
Transfer to zakah and charity	-	-	-	(2,219)	-	-	-	(2,219)	(223)	-	(2,442)
Purchase of treasury shares	-	(27,954)	-	-	-	-	-	(27,954)	-	-	(27,954)
Sale of treasury shares	-	40,860		(9,574)	-	-	-	31,286	-	-	31,286
Balance at 31 March 2019	**975,638**	**(72,518)**	**117,301**	**77,887**	**1,086**	**(5,641)**	**(45,372)**	**1,048,381**	**320,170**	**40,556**	**1,409,107**

* The Bank used to recognise gain / (loss) on sale of treasury shares as part of equity under statutory reserve. The Bank has regrouped the losses on sale of treasury shares of US$ 24,818 thousand for the year ended 31 December 2018 to retained earnings.

The accompanying notes 1 to 22 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2019 *(continued)* US$ 000's

	Attributable to shareholders of the Bank									
31 March 2018 (reviewed)	Share capital	Treasury shares	Share premium	Statutory reserve	Retained earnings	Share grant reserve	Fair value reserve	Total	Non – controlling interests	Total owners' equity
Balance at 1 January 2018	975,638	(58,417)	3,058	105,893	122,825	1,026	-	1,150,023	345,770	1,495,793
Impact of adoption of FAS 30	-	-	-	-	(16,586)	-	-	(16,586)	(13,092)	(29,678)
Balance at 1 January 2018 (restated)	975,638	(58,417)	3,058	105,893	106,239	1,026	-	1,133,437	332,678	1,466,115
Profit for the period	-	-	-	-	36,479	-	-	36,479	416	36,895
Fair value changes during the period	-	-	-	-	-	-	1,139	1,139	-	1,139
Total recognised income and expense	-	-	-	-	36,479	-	1,139	37,618	416	38,034
Dividends to shareholders	-	-	-	-	(82,412)	-	-	(82,412)	-	(82,412)
Transfer to zakah and charity	-	-	-	-	(636)	-	-	(636)	(534)	(1,170)
Derecognition on loss of control	-	-	-	-	-	-	-	-	(711)	(711)
Purchase of treasury shares	-	(5,444)		-	-	-	-	(5,444)	-	(5,444)
Sale of treasury shares	-	3,225	(867)	-	-	-	-	2,358	-	2,358
Balance at 31 March 2018	975,638	(60,636)	2,191	105,893	59,670	1,026	1,139	1,084,921	331,849	1,416,770

The accompanying notes 1 to 22 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2019 US$ 000's

	31 March 2019 (reviewed)	31 March 2018 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	20,700	36,895
Adjustments for:		
Income from investment banking	(6,654)	-
Income from investment securities	(12,291)	(632)
Income from proprietary investments	330	(3,455)
Foreign exchange (gain) / loss	(521)	(969)
Restructuring related income	(29,406)	(35,300)
Other income	-	(2,547)
Finance expense	30,165	17,877
Impairment allowances (reversal) / charge	3,812	1,674
Depreciation and amortisation	544	509
	6,679	14,052
Changes in:		
Placements with financial institutions (maturities of more than 3 months)	(409,984)	2,756
Financing assets	(63,614)	24,768
Receivables and prepayments	(21,377)	21,136
CBB Reserve and restricted bank balance	(41,230)	(4,802)
Clients' funds	(5,611)	(4,230)
Placements from financial and non-financial institutions	969,760	(16,517)
Customer current accounts	(16,443)	(923)
Equity of investment account holders	51,796	(94,027)
Payables and accruals	(3,682)	(26,779)
Net cash generated from / (used in) operating activities	**466,294**	(84,566)
INVESTING ACTIVITIES		
Purchase of equipment, net	(69)	(512)
Sale / (purchase) of proprietary investments, net	2,156	(19,592)
Proceeds from sale of a subsidiary	-	104,591
(Purchase) / sale of treasury portfolio, net	(177,776)	12,549
Dividend received from proprietary investments and co-investments	259	632
Advance paid for development of real estate	(11,734)	-
Net cash (used in) / generated from investing activities	**(187,164)**	97,668
FINANCING ACTIVITIES		
Term financing (repaid) / availed, net	(22,041)	1,973
Finance expense paid	(17,728)	(8,839)
Dividend paid	(375)	(100)
Sale / (purchase) of treasury shares, net	3,332	(2,219)
Net cash used in financing activities	**(36,812)**	(9,185)
Net increase in cash and cash equivalents during the period	**242,318**	3,917
Cash and cash equivalents at 1 January *	397,620	256,887
CASH AND CASH EQUIVALENTS AT 31 March	**639,938**	260,804
Cash and cash equivalents comprise: *		
Cash and balances with banks (excluding CBB Reserve and restricted bank balances)	443,703	141,324
Placements with financial institutions (maturities of less than 3 months)	196,235	119,480
	639,938	260,804

** net of expected credit loss of US$ 1,200 thousand (31 December 2018: US$ 1,041 thousand)*

The accompanying notes 1 to 22 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2019

31 March 2019 (reviewed)	**Balance at 1 January 2019**			**Movements during the period**						**Balance at 31 March 2019**		
Company	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	0.33	49	-	-	-	-	-	-	150	0.33	49
Al Basha'er Fund	13	7.03	93	-	-	-	-	-	-	13	7.03	93
Safana Investment (RIA 1)	6,524	2.65	16,588	-	-	-	-	-	-	6,524	2.65	16,588
Shaden Real Estate Investment WLL (RIA 5)	3,434	2.65	9,109	-	-	-	-	-	-	3,434	2.65	9,109
Locata Corporation Pty Ltd (RIA 6)	2,633	1.00	2,633	-	-	-	-	-	-	2,633	1.00	2,633
			28,472	**-**	**-**	**-**	**-**	**-**	**-**			**28,472**

31 March 2018 (reviewed)	Balance at 1 January 2018			Movements during the period						Balance at 31 March 2018		
Company	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	13	7.15	93	-	-	-	-	-	-	13	7.15	93
Safana Investment (RIA 1)	6,254	2.65	16,588	-	-	-	-	-	-	6,254	2.65	16,588
Shaden Real Estate Investment WLL (RIA 5)	3,529	2.65	9,386	-	-	-	-	-	-	3,529	2.65	9,386
Locata Corporation Pty Ltd (RIA 6)	2,633	1.00	2,633	-	-	-	-	-	-	2,633	1.00	2,633
			28,752	-	-	-	-	-	-			28,752

The accompanying notes 1 to 22 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND

for the three months ended 31 March 2019 US$ 000's

	31 March 2019 (reviewed)	31 March 2018 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	2,442	2,956
Non-Islamic income	43	12
Total sources	**2,485**	2,968
Uses of zakah and charity fund		
Contributions to charitable organisations	(676)	(3)
Total uses	**(676)**	(3)
Surplus of sources over uses	**1,809**	2,965
Undistributed zakah and charity fund at beginning of the period	4,635	2,840
Undistributed zakah and charity fund at end of the period	**6,444**	5,805
Represented by:		
Zakah payable	1,530	1,970
Charity fund	4,914	3,835
	6,444	5,805

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

1 Reporting entity

The condensed consolidated interim financial information for the three months ended 31 March 2019 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 / Owning Company	Effective ownership interests 2019	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 Project companies			100%	Real estate development
Sheffield Dubai Investment Company			65.85%	Holding Company for eductional institutions
Falcon Cement Company BSC (c)			51.72%	Cement manufacturing
Gulf Holding Company KSCC	State of Kuwait		51.18%	Investment in real estate
Surooh Company ('Surooh')	Cayman Islands	KHCB	10.00%	Construct and sell properties at "Oryx Hills".

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 2018. 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 2018.

2 Basis of preparation (continued)

Change in presentation:
Effective 31 March 2019, the Group has changed its description and presentation of the income statement and statement of financial position to align with the various revenue generating activities of the Group and to enhance disclosures to enable users have a better understanding of the activities and financial performance of the Group. The below paragraphs and tables provide explanation of significant lines of business and sources of revenue they are associated with.

Activities:
The Group's primary activities involve: a) to provide investment opportunities and manage assets on behalf of its clients as an agent, b) to provide commercial banking services , c) to undertake targeted development and sale of infrastructure and real estate projects for enhanced returns, d) to co-invest with clients and hold strategic proprietary assets as a principal. In addition to the main activities, the Group also manages its treasury portfolio with an objective to earn higher returns from capital and money market opportunities.

Segments:
To undertake the above activities, the Group has organised itself in the following operating segments units:

Investment banking:	The investment banking segment of the Group is focused on private equity and asset management domains. The private equity activities include acquisition of interests in unlisted or listed businesses at prices lower than anticipated values. The Group acts as both a principal and an intermediary by acquiring, managing and realizing investments in investment assets for institutional and high net worth clients. The asset management unit is responsible for identifying and managing investments in yielding real estate and leasing assets in the target markets. The investment banking activities focuses on acquiring, managing and realizing investments to achieve and exceed benchmark returns. The Investment banking activities produce fee-based, activity-based and asset-based income for the Group. Assets under this segment include proprietary private equity, co-investments and strategic non-banking investments of the Group.
Commercial banking:	These include all corporate banking and retail banking activities of the Group provided through the Group's subsidiary, Khaleeji Commercial Bank BSC. The subsidiary also manages its own treasury and proprietary investment book within this operating segment.
Real Estate development:	This business unit is primarily involved in origination and management of large scale economic infrastructure projects. The business unit also covers the Group's investment in real estate and related assets.
Corporate and treasury:	All common costs and activities that are undertaken at a central Group level, including treasury and residual investment assets, is considered as part of the Corporate and treasury activities of the Group.

Each of the above operating segments, except commercial banking which is a separate subsidiary has its own dedicated team of professionals and are supported by a common placement team and support units.

2 Basis of preparation (continued)

The strategic business units offer different products and services, and are managed separately because they require different strategies for management and resource allocation within the Group. For each of the strategic business units, the Group's Board of Directors (chief operating decision makers) review internal management reports on a quarterly basis.

The performance of each operating segment is measured based on segment results and are reviewed by the management committee and the Board of Directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing, if any is determined on an arm's length basis.

The Group classifies directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment expenses respectively. Indirect costs is allocated based on cost drivers/factors that can be identified with the segment and/ or the related activities. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures. The unallocated revenues, expenses, assets and liabilities related to entity-wide corporate activities and treasury activities at the Group level. Expenses are not allocated to the business segment.

Sources of revenue:
The Group primarily earns its revenue from the following sources and presents its statement of income accordingly:

Activity/ Source	**Products**	**Types of revenue**
Investment banking activity	Deal-by-deal offerings of private equity, income yielding asset opportunities	*Deal related income*, earned by the Group from investee companies in connection with new acquisitions *Fee based income*, in the nature of management fees, performance fee, acquisition fee and exit fee which are contractual in nature
Commercial banking income	Shari'ah compliant corporate, institutional and retail banking financing and cash management products and services	Financing income, fees and investment income (net of direct funding costs)
Proprietary investments	Proprietary investments comprise strategic and co-investment exposure of the bank. This also includes non-banking subsidiaries and equity - accounted investees where the Bank has significant influence.	Includes dividends, gain / (loss) on sale and remeasurement of proprietary investments, co-investments and share of profit / (loss) of equity accounted investees. Income from restructuring of liabilities and funding arrangements are also considered as income from proprietary investments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

2 Basis of preparation (continued)

Activity/ Source	Products	Types of revenue
Co-investment	Represent the Group's co-investment along with its clients in the products promoted by the Group.	*Dividends, gain / (loss) on co-investments of the Bank*
Real estate	Proprietary holdings of real estate for direct sale, development and sale, and/ or rental yields. This also includes the group's holding or participation in leisure and hospitality assets.	*Development and sale income***,** from development and sale of real estate projects of the Group based on percentage of completion (POC) method *Rental and operating income*, from rental and other ancillary income from investment in real estate
Treasury operations	Represents the Bank's liquidity management operations, including its fund raising and deployment activities to earn a commercial profit margin.	Income arising from the deployment of the Bank's excess liquidity, through but not limited to short term placements with bank and financial institutions, money market instruments, capital market and other related treasury investments.

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 2018.

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 2018.

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 2018.

6 Seasonality

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

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 2018 and the reviewed condensed consolidated interim financial information for the three months ended 31 March 2018. 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 three months ended 31 March 2018.

8 Appropriations

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

In the shareholders meeting held on 28 March 2019, the following were approved and effected in the quarter:

a) Cash dividend of 3.34% of the paid-up share capital amounting to US$ 30 million;

b) Bonus shares of US$ 55 million representing 5.97% of the nominal value of shares (1 share for every 16.74 shares held).*

c) Appropriation of US$ 1 million towards charity for the year;

d) Appropriation of US$ 941 thousand towards zakah for the year;

e) Transfer of US$ 11.4 million to statutory reserve; and

f) Extinguishment of 207,547,170 treasury shares held by the Bank as of the date of the AGM, subject to obtaining the approval of relevant authorities.*

*The relevant formalities for (b) and (f) were completed subsequent to 31 March 2019 and were effected in the stock exchange on 2 April 2019, accordingly, these were not reflected in the condensed consolidated interim financial information for the three months ended 31 March 2019.

9 Treasury portfolio

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
Placements with financial institutions	781,276	289,558	125,025
Equity type investments			
At fair value through income statement			
- Structured notes	70,000	-	-
Debt type investments			
At fair value through income statement			
- Quoted sukuk	166,405	100,527	-
At amortised cost			
- Quoted sukuk *	459,544	427,915	294,528
	1,477,225	818,000	419,553

* Includes sukuk of US$ 129,676 thousand pledged against medium-term borrowing of US$ 91,472 thousand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

10 Financing assets

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
Murabaha	986,878	948,189	913,644
Musharaka	8,798	9,393	13,361
Wakala	13,281	13,281	57,000
Mudharaba	2,796	2,782	2,780
Istisnaa	6,520	5,448	-
Asset held for leasing	323,647	294,788	269,870
	1,341,920	1,273,881	1,256,655
Less: Impairment allowances	(69,359)	(64,934)	(60,793)
	1,272,561	1,208,947	1,195,862

11 Real estate investments

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
Investment Property			
- Land	482,851	482,851	571,060
- Building	40,841	40,841	40,841
	523,692	523,692	611,901
Development Property			
- Land	807,348	811,684	812,032
- Building	493,839	504,634	92,496
	1,301,187	1,316,318	904,528
	1,824,879	1,840,010	1,516,429

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

12 Proprietary investments

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
Equity type investments			
At fair value through income statement			
- Unquoted securities	34,875	34,875	34,875
At fair value through equity			
- Listed securities (at fair value)	26,538	29,093	20,834
- Unquoted securities (at cost)	103,015	103,080	108,618
	129,553	132,173	129,452
Equity-accounted investees	106,908	66,964	84,895
	271,336	234,012	249,222

13 Co-investments

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
At fair value through equity			
- Unquoted securities (at cost)	77,590	77,644	77,044
	77,590	77,644	77,044

14 Assets and liabilities directly associated with held-for-sale

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
Assets	147,141	147,141	-
Liabilities	42,749	42,749	-

Assets and related liabilities held-for-sale represents the assets and liabilities of Falcon Cement Company BSC (c) ('FCC') and Sheffield Dubai Investment Company ('SDIC'), the Group's subsidiaires acquired in 2018. The Group has an active plan approved by the Board, to sell its stake in FCC and SDIC, and accordingly, the asset, liabilities and non-controlling interest acquired are classified as held-for-sale in the consolidated statement of financial position. The net profit / (loss) from operations of these entities are presented in the condensed consolidated income statement as ' Profit / (loss) from assets held- for- sale and discontinued operations, net'.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

15 Term financing

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
Murabaha financing	125,805	145,167	152,259
Wakala financing	25,462	24,797	55,138
Sukuk liability	-	-	24,908
Ijarah financing	26,234	26,743	13,809
Other borrowings	60,650	59,430	120,921
	238,151	256,137	367,035

16 Restructuring related income

This represents income from restructuring of liabilities of a subsidiary. During the period, the Group agreed to settle a liability of US$ 56 million to a service provider by exchange of cash and partial stake (40%) in a subsidiary enagaged in hospitality management. The excess of the the carrying amount of liability over the cash paid and carrying value of the 40% stake in the subsidiary is recognised as 'restructuring related income' representing income from settlement of a liabilities at lower amounts. As the investee is now jointly managed between the service provider and the Group based on contractual arrangement between the parties (joint venture), this has resulted in loss of control and the carrying value of retained investment is recognised as 'equity-accounted investee' and included in Proprietary investment.

Income of US$ 35.3 million in 2018 respresents income from restructuring of liabilities of a subsidiary. In 2016, as part of total recoveries made by the Group under litigation settlements, the Group had acquired the holding company of a master developer for a project in the Kingdom of Bahrain under administration and insolvency proceedings which had net liabilities at the time of the settlement. Subsequently, the Group managed to get the company out of administration by restructuring the liabilities of the Company and negotiating settlements with creditors through a court administered process. The legal process of confirming claims for settlement has been completed in 2018 resulting in the Company being taken out of legal administration and handed back to the Group. The final court judgment confirmed the final amounts due to each creditor and hence the difference between the previously recognised liability / provisions and the court approved amounts have been reversed to the income statement as they were no longer required.

17 Impairment allowances

	Three months ended	
	31 March 2019 US$ 000's (reviewed)	31 March 2018 US$ 000's (reviewed)
Expected credit loss on:		
- Bank balances	4	8
- Placement with financial institutions	(64)	-
- Financing assets	4,425	1,666
- Other receivables	(553)	-
	3,812	1,674

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

18 Related party transactions

The significant related party balances and transactions as at 31 March 2019 are given below:

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
31 March 2019 (reviewed)	**Associates and joint venture**	**Key management personnel**	**Significant shareholders / entities in which directors are interested**		
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Transactions					
Sale of real estate investment	-	-	40,000	-	40,000
Assets					
Financing assets	10,659	5,769	15,141	29,485	61,054
Proprietary investments	94,874	-	6,058	54,958	155,890
Co-investments	-	-	-	23,635	23,635
Receivables and prepayments	1,225	-	13,257	41,005	55,487
Liabilities					
Clients' funds	129	-	-	14,662	14,791
Placements from financial, non-financial institutions and individuals	-	-	249,117	-	249,117
Customer accounts	218	34	1,854	3,836	5,942
Term financing	39,936	-	-	2,813	42,749
Payables and accruals	-	3,510	3,132	23,171	29,813
Equity of investment account holders	1,101	3,674	308,732	1,196	314,703
Income					
Income from Investment banking	-	-	-	7,250	7,250
Income from commercial banking	11	61	(127)	8	(47)
Income from proprietary and co-invetments	(230)	-	-	259	29
Real estate income	-	-	6,780	-	6,780
Treasury and other income	120	-	-	504	624
Expenses					
Operating expenses	-	9,072	-	24	9,096
Finance expense	-	-	623	-	623

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2019

18 Related party transactions (continued)

31 December 2018 (audited)	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	Total
	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Assets					
Financing assets	-	6,016	15,146	44,810	65,972
Proprietary investments	54,829	-	6,058	54,958	115,845
Co-investments	-	-	-	16,798	16,798
Receivables and prepayments	914	-	13,257	47,605	61,776
Liabilities					
Investment funds	129	-	-	14,412	14,541
Placements from financial, non-financial institutions and individuals	-	-	249,117	-	249,117
Customer accounts	178	2,117	1,844	3,196	7,335
Term financing	-	-	24,797	-	24,797
Payables and accruals	-	3,499	3,132	8,364	14,995
Equity of investment account holders	1,273	3,634	28,592	1,241	34,740
Three months ended 31 March 2018 (reviewed)					
Income					
Income from investment banking	-	-	-	8,900	8,900
Income from commercial banking	5	161	1,039	(16)	1,189
Income from proprietary and co-invetments	3,474	-	-	571	4,045
Treasury and other income	-	-	-	553	553
Expenses					
Operating expenses	-	4,641	-	-	4,641
Finance expense	-	-	663	-	663

19 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, investment banking, commercial banking and corporate and treasury.

	Real estate development	Investment banking	Commercial banking	Corporate and treasury	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
31 March 2019 (reviewed)					
Segment revenue	37,473	19,166	13,960	(477)	70,122
Segment expenses	(19,217)	(19,018)	(10,563)	(624)	(49,422)
Segment result *	18,256	148	3,397	(1,101)	20,700
Segment assets	2,051,208	1,189,018	2,645,368	20,567	5,906,161
Segment liabilities	1,688,288	1,042,171	733,926	85,494	3,549,879
Other segment information					
Proprietary investments *(Equity-accounted investees)*	45,977	48,897	12,034	-	106,908
Equity of investment account holders	-	-	946,585	591	947,176
Commitments	114,314	-	122,167	18,000	254,481

** Includes segment result of discontinued operations, net.*

19 Segment reporting (continued)

	Real estate development US$ 000's	Investment banking US$ 000's	Commercial banking US$ 000's	Corporate and treasury US$ 000's	Total US$ 000's
31 March 2018 (reviewed)					
Segment revenue	39,733	14,383	11,247	1,661	67,024
Segment expenses	(7,450)	(8,844)	(8,893)	(4,942)	(30,129)
Segment result *	32,283	5,539	2,354	(3,281)	36,895
31 December 2018 (audited)					
Segment assets	2,035,664	686,688	2,246,159	20,854	4,989,365
Segment liabilities	1,238,147	558,787	817,529	55,214	2,669,677
Other segment information					
Proprietary investments *(Equity-accounted investees)*	5,702	49,127	12,135	-	66,964
Equity of investment account holders	-	-	896,320	590	896,910
Commitments	114,314	-	122,167	18,000	254,481

** Includes segment result of discontinued operations, net.*

20 Commitments and contingencies

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

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)	31 March 2018 US$ 000's (reviewed)
Undrawn commitments to extend finance	170,390	88,045	106,942
Financial guarantees	30,454	34,122	59,406
Capital commitment for infrastructure development projects	50,005	55,407	87,584
Purchase commitment for investment in real estate	-	58,907	-
Commitment to invest	-	-	6,427
Commitment to lend	18,000	18,000	-
	268,849	254,481	260,359

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 31 March 2019 due to the performance of any of its projects.

Litigations, claims and contingencies

The Group has a number of claims and litigations filed against it in connection with projects promoted by the Bank in the past and with certain transactions. Further, claims against the Bank also have been filed by former employees. Based on the advice of the Bank's external legal counsel, 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.

21 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 31 March 2019 and 31 December 2018, the fair value of bank balances, placements with financial institutions, other financial assets, client funds, 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.

21 Financial instruments (continued)

Term financing

As at 31 March 2019, the fair value of term financing was estimated at US$ 238,151 thousand (carrying value US$ 238,151 thousand) (31 December 2018: fair value US$ 256,137 thousand (carrying value US$ 256,137 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).

31 March 2019 (reviewed)	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$ 000's	US$ 000's	US$ 000's	US$ 000's
i) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	-	-	34,875	**34,875**
- equity	26,358	-	-	**26,358**
	26,358	-	**34,875**	**61,233**
ii) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	236,405	-	-	**236,405**
- equity	-	-	-	-
	236,405	-	-	**236,405**
	262,763	**-**	**34,875**	**297,638**

31 December 2018 (audited)	Level 1	Level 2	Level 3	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's
i) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	-	-	34,875	34,875
- equity	29,093	-	-	29,093
	29,093	**-**	34,875	63,968
ii) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	100,527	-	-	100,527
- equity	-	-	-	-
	100,527	-	-	100,527
	129,620	-	34,875	164,495

21 Financial instruments (continued)

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

	31 March 2019 US$ 000's (reviewed)	31 December 2018 US$ 000's (audited)
At beginning of the period	34,875	34,875
Gains (losses) in income statement	-	-
Derecognition on loss of control	-	-
Transfers into (out) of Level 3	-	-
At end of the period	**34,875**	34,875

22 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.