

GFH FINANCIAL GROUP BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 JUNE 2023

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	:	Ghazi Faisal Ebrahim Alhajeri, <i>Chairman</i> Edris Mohammed Rafi Alrafi, <i>Vice Chairman</i> Hisham Ahmed Alrayes Rashid Nasser Al Kaabi Ali Murad Fawaz Talal Al Tamimi Darwish Al Ketbi Yusuf Abdulla Taqi
Chief Executive Officer	:	Hisham Ahmed Alrayes
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2023

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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

Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial information of GFH Financial Group BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated income statement for the three month and six-month periods ended 30 June 2023;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2023;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 2023; 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 FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

10 August 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2023**

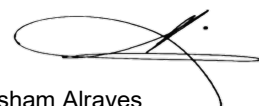
US\$ 000's

	Note	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
ASSETS				
Cash and bank balances		398,578	858,239	674,570
Treasury portfolio	8	4,944,127	4,210,020	3,355,545
Financing assets	9	1,535,395	1,435,238	1,457,758
Investment in real estate	10	1,320,989	1,287,085	1,185,905
Proprietary investments	11	1,033,743	1,005,053	1,100,176
Co-investments	12	169,471	142,051	136,069
Receivables and other assets	13	726,535	589,869	540,197
Property and equipment		207,223	232,736	70,009
Total assets		10,336,061	9,760,291	8,520,229
LIABILITIES				
Clients' funds		151,190	123,300	148,073
Placements from financial institutions		2,959,023	3,790,870	2,826,616
Placements from non-financial institutions and individuals		1,182,960	1,064,258	585,285
Customer current accounts		225,831	131,234	222,574
Term financing	14	1,975,706	1,942,198	1,988,847
Other liabilities	15	630,094	423,363	457,220
Total liabilities		7,124,804	7,475,223	6,228,615
Equity of investment account holders	16	2,159,380	1,213,674	1,249,544
OWNERS' EQUITY				
Share capital		1,015,637	1,015,637	1,015,637
Treasury shares		(123,293)	(105,598)	(70,283)
Statutory reserve		36,995	36,995	27,970
Investment fair value reserve		(55,527)	(53,195)	(58,839)
Retained earnings		90,860	95,831	62,629
Share grant reserve		8,530	6,930	-
Total equity attributable to shareholders of the Bank		973,202	996,600	977,114
Non-controlling interests		78,675	74,794	64,956
Total owners' equity		1,051,877	1,071,394	1,042,070
Total liabilities, equity of investment account holders and owners' equity		10,336,061	9,760,291	8,520,229

The Board of Directors approved the condensed consolidated interim financial information on 10 August 2023 and signed on its behalf by:



Ghazi Faisal Ebrahim Alhajeri
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

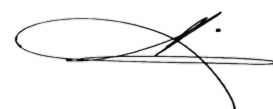
CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2023

US\$ 000's

	Note	Six months ended		Three months ended	
		30 June 2023 (reviewed)	30 June 2022 (reviewed)	30 June 2023 (reviewed)	30 June 2022 (reviewed)
Investment banking					
Deal related income		80,890	41,514	38,726	17,824
Asset management		9,627	3,584	6,704	2,595
		90,517	45,098	45,430	20,419
Commercial banking					
Income from financing		53,704	42,975	26,485	21,747
Treasury and investment income		45,464	26,617	19,951	14,822
Fee and other income		14,629	1,960	9,161	(1,363)
Less: Return to investment account holders		(27,385)	(18,638)	(13,241)	(10,123)
Less: Finance expense		(45,170)	(16,055)	(26,592)	(7,975)
		41,242	36,859	15,764	17,108
Treasury and Proprietary Investments					
Finance and treasury portfolio income, net		121,989	49,792	64,308	24,168
Direct investment income, net		4,152	3,247	1,097	757
Income from co-investments, net		6,566	9,128	2,846	4,694
Share of profit from equity-accounted investees		17,244	10,500	10,426	10,500
Income from sale of assets		5,713	1,932	5,641	-
Leasing and operating income		8,877	7,265	4,447	6,137
Other income, net		2,340	9,893	390	1,918
Finance expenses - Repo and FI		(124,874)	(51,580)	(63,518)	(29,590)
		42,007	40,177	25,637	18,584
Total income		173,766	122,134	86,831	56,111
Other operating expenses		78,266	59,565	37,166	25,266
Finance expense - Term financing and others		31,359	20,062	10,598	9,072
Impairment allowances	17	6,952	(2,869)	6,316	(4,254)
Total expenses		116,577	76,758	54,080	30,084
Profit for the period		57,189	45,376	32,751	26,027
Attributable to:					
Shareholders of the Bank		54,616	42,180	30,609	23,062
Non-controlling interests		2,573	3,196	2,142	2,965
		57,189	45,376	32,751	26,027
Earnings per share					
Basic and diluted earnings per share (US cents)	18	1.55	1.21	0.86	0.66



Ghazi Faisal Ebrahim Alhajer
Chairman



Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2023

US\$ 000's

	Attributable to shareholders of the Bank						Non-Controlling Interests (NCI)	Total owners' equity
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Retained earnings	Share grant reserve		
Balance at 1 January 2023	1,015,637	(105,598)	36,995	(53,195)	95,831	6,930	74,794	1,071,394
Profit for the period	-	-	-	-	54,616	-	2,573	57,189
Fair value changes during the period	-	-	-	(2,332)	-	-	(479)	(2,811)
Total recognised income and expense	-	-	-	(2,332)	54,616	-	2,094	54,378
Long Term Incentive Plan (LTIP)	-	-	-	-	-	1,600	-	1,600
Transfer to zakah and charity fund	-	-	-	-	(1,000)	-	-	(1,000)
Dividends declared for 2022	-	-	-	-	(56,261)	-	-	(56,261)
Purchase of treasury shares	-	(47,169)	-	-	-	-	-	(47,169)
Sale of treasury shares	-	29,474	-	-	(2,326)	-	-	27,148
Additional NCI without a change in control	-	-	-	-	-	-	5,747	5,747
Loss of control	-	-	-	-	-	-	(3,960)	(3,960)
Balance at 30 June 2023	1,015,637	(123,293)	36,995	(55,527)	90,860	8,530	78,675	1,051,877

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**for the six months ended 30 June 2023** *(continued)*

US\$ 000's

	Attributable to shareholders of the Bank						Non-Controlling Interests (NCI)	Total owners' equity	
	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings			Total
Balance at 1 January 2022	1,000,637	(48,498)	27,970	(28,561)	(70,266)	81,811	963,093	205,027	1,168,120
Profit for the period	-	-	-	-	-	42,180	42,180	3,196	45,376
Transfer on reclassification from FVTE to amortised cost	-	-	-	41,320	-	-	41,320	-	41,320
Fair value changes during the period	-	-	-	(69,084)	-	-	(69,084)	(2,335)	(71,419)
Transfer to income statement on disposal of sukuk	-	-	-	(2,514)	-	-	(2,514)	-	(2,514)
Total recognised income and expense	-	-	-	(30,278)	-	42,180	11,902	861	12,763
Bonus Shares Issued	15,000	-	-	-	-	(15,000)	-	-	-
Dividend Declared	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Purchase of treasury shares	-	(53,650)	-	-	-	-	(53,650)	-	(53,650)
Transfer to Zakah and Charity Fund	-	-	-	-	-	(1,483)	(1,483)	-	(1,483)
Sale of treasury shares	-	31,865	-	-	-	121	31,986	-	31,986
Transferred to income statement on deconsolidation of subsidiaries	-	-	-	-	70,266	-	70,266	-	70,266
Adjusted on deconsolidation of subsidiaries	-	-	-	-	-	-	-	(141,295)	(141,295)
Additional NCI on acquisition of subsidiary	-	-	-	-	-	-	-	363	363
Balance at 30 June 2022	1,015,637	(70,283)	27,970	(58,839)	-	62,629	977,114	64,956	1,042,070

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2023

US\$ 000's

	30 June 2023 (reviewed)	30 June 2022 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	57,189	45,376
Adjustments for:		
Treasury and proprietary investments	(42,007)	(40,117)
Foreign exchange loss/ (gain)	2,238	(1,305)
Finance expense	31,359	(20,062)
Impairment allowances	6,952	(2,869)
Depreciation and amortisation	4,299	776
	60,030	(18,201)
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	418,680	-
Financing assets	(106,914)	(146,756)
Receivable and other assets	(97,132)	(8,709)
CBB Reserve and restricted bank balance	(8,230)	(982)
Clients' funds	27,890	(68,689)
Customer current accounts	94,597	89,528
Placements from financial, non-financial institutions and individuals	(713,145)	359,808
Equity of investment account holders	945,706	(108,800)
Other liabilities	153,685	74,136
Net cash from operating activities	775,167	171,335
INVESTING ACTIVITIES		
Payments for purchase of equipment	(2,581)	(74)
Purchase of proprietary investment securities, net	(52,891)	415
Purchase of treasury portfolio, net	(237,445)	(269,077)
Cash acquired on acquisition of subsidiary	1,346	407
Cash paid on acquisition of subsidiary	(7,000)	(5,215)
Proceeds from sale of real estate	11,771	-
Dividends received from proprietary investments and co-investments	20,659	25,528
Payment for purchase of real estate	(12,026)	(22,652)
Net cash used in investing activities	(278,167)	(270,668)
FINANCING ACTIVITIES		
Financing liabilities, net	33,773	149,146
Purchase of GFH sukuk, net	-	(2,028)
Finance expense paid	(153,228)	(82,531)
Dividends paid	(57,861)	(44,147)
Sale/(Purchase) of treasury shares, net	(17,694)	(21,785)
Net cash used in financing activities	(195,010)	(1,345)
Net increase / (decrease) in cash and cash equivalents during the period	301,990	(100,678)
Cash and cash equivalents at 1 January	1,041,064	844,344
Cash and cash equivalents at 30 June *	1,343,054	743,666
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB reserve balance and restricted cash)	320,957	615,504
Placements with financial institutions (original maturities of 3 months or less)	1,022,097	128,162
	1,343,054	743,666

* net of expected credit loss of US\$ 28 thousands (30 June 2022: US\$ 21 thousands).

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2023

30 June 2023 (reviewed)

Company	Balance at 1 January 2023			Movements during the period						Balance at 30 June 2023		
	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	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.87	94	-	-	-	-	-	-	12	7.87	94
Safana Investment (RIA 1)	1,247	2.65	3,305	-	-	-	-	-	-	1,247	2.65	3,305
Shaden Real Estate Investment WLL (RIA 5)	269	2.65	713	-	-	-	-	-	-	269	2.65	713
			4,162									4,162

30 June 2022 (reviewed)

Company	Balance at 1 January 2022			Movements during the period						Balance at 30 June 2022		
	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	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.87	94	-	-	-	-	-	-	12	7.87	94
Safana Investment (RIA 1)	1,247	2.65	3,305	-	-	-	-	-	-	1,247	2.65	3,305
Shaden Real Estate Investment WLL (RIA 5)	269	2.65	713	-	-	-	-	-	-	269	2.65	713
			4,162	-	-	-	-	-	-			4,162

The accompanying notes 1 to 24 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 six months ended 30 June 2023**

US\$ 000's

	30 June 2023 (reviewed)	30 June 2022 (reviewed)
Sources of zakah and charity fund		
Contribution by the Group	2,472	2,529
Non-Islamic income	543	21
Total sources	3,015	2,550
Uses of zakah and charity fund		
Contributions to charitable organisations	(1,666)	(1,775)
Total uses	(1,666)	(1,775)
Surplus of sources over uses	1,349	775
Undistributed zakah and charity fund at beginning of the period	5,924	5,196
Undistributed zakah and charity fund at end of the period	7,273	5,971
Represented by:		
Zakah payable	1,675	826
Charity fund	5,598	5,145
	7,273	5,971

The accompanying notes 1 to 24 form an integral part of the condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2023**

US\$ 000's

1 REPORTING ENTITY

The condensed consolidated interim financial information for the six months ended 30 June 2023 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	Effective ownership interests as at 30 June 2023	Activities
GFH Partners Ltd	United Arab Emirates	100%	Investment management
GFH Capital S.A.	Saudi Arabia	100%	Investment management
GFH Financial Group Limited	United Kingdom	100 %	Hold Co for Investment management
Khaleeji Bank BSC ('KHB')	Kingdom of Bahrain	85.14%	Islamic retail bank
Al Areen Project companies		100%	Real estate development
GBCORP Tower Group Ltd		62.91%	Own & lease real estate
GBCORP B.S.C (c)*		42.91%	Islamic investment firm
Residential South Real Estate Development Company W.L.L. (RSRED)		100%	Real estate development
Harbour House Row Towers W.L.L.		100%	Own & lease real estate
Al Areen Hotels W.L.L.		100%	Hospitality management services
Britus International School for Special Education W.L.L.		100%	Educational institution
Gulf Holding Company KSCC	State of Kuwait	53.63%	Investment in real estate
SQ Topco II LLC	United States	51%	Property asset management Company
Big Sky Asset Management LLC	United States	51%	Real estate investment manager
Roebuck A M LLP	United Kingdom	60%	Property asset management Company

*Control though majority representation on board of directors.

The Bank has other investment holding companies, SPV's and subsidiaries, which are set up to supplement the activities of the Bank and its principal subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2023

US\$ 000's

2 BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard FAS 41, Interim Financial Reporting ("FAS 41") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI"). In line with the requirements of AAOIFI and the Central Bank of Bahrain (CBB) rule book, for matters not covered under AAOIFI standards the group uses guidance from the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial information are reviewed and not audited. The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2022. 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 2022.

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 last audited consolidated financial statements as at and for the year ended 31 December 2022, except those arising from certain changes in segment reporting and adoption of the following standards and amendments to standards effective from 1 January 2023. The impact of adoption of these standards and amendments is set out below.

a. New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2023:

(i) FAS 39 Financial Reporting for Zakah

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period. (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

An institution obliged to pay Zakah by law or by virtue of its constitution documents shall recognise current Zakah due for the period as an expense in its financial statements. Where Zakah is not required to be paid by law or by virtue of its constitution documents, and where the institution is considered as an agent to pay Zakah on behalf of certain stakeholders, any amount paid in respect of Zakah shall be adjusted with the equity of the relevant stakeholders.

The Group has adopted this standard and will provide the necessary additional disclosures in its annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2023

US\$ 000's

3. *Significant accounting policies (continued)*

- a. *New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2023: (continued)*

(ii) FAS 41 Interim financial reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023. The Group has adopted this standard for the basis of preparation of its condensed consolidated interim financial information. The adoption of this standard did not have any significant impact on the Group's interim financial information.

b. New standards, amendments and interpretations issued but not yet effective

(i) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quasi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FAS's; and
- l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statement in line with the wider market practice.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2023**

US\$ 000's

4 ESTIMATES AND JUDGEMENTS

Preparation of condensed consolidated interim financial information requires management to make judgments, 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. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2022.

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 2022.

Regulatory ratios***a. Net stable funding Ratio (NSFR)***

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

US\$ 000's

5 Financial risk management (continued)

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, is as follows:

As at 30 June 2023

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	966,799	-	-	58,002	1,024,801
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		139,154	37,534	20,217	188,071
6	Less stable deposits	-	1,923,203	526,675	229,429	2,434,320
7	Wholesale funding:					
8	Operational deposits					
9	Other Wholesale funding	-	4,085,457	664,714	1,230,386	2,549,645
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	518,418	4,345	38,021	38,021
13	Total ASF					6,234,857
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	2,192,181				109,136
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and sukuk/securities:	-	1,629,287	-	952,685	1,054,175
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	16,598	-	1,137,067	974,806
19	Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	205,680	141,959	240,090	329,878
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	943,524	26,988	583,953	1,069,209
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	3,035

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5 Financial risk management (continued)

28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	2,337,031	-	-	-	2,337,031
30	OBS items		-	-	-	57,876
31	Total RSF		2,795,089	168,948	2,913,795	5,935,146
32	NSFR(%)					105%

As at 31 December 2022

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	1,004,974	-	-	53,171	1,058,145
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	158,056	15,076	26,054	190,530
6	Less stable deposits	-	1,684,867	423,803	328,355	2,226,158
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	3,548,055	931,464	1,303,542	2,656,368
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	311,371	-	43,201	43,201
13	Total ASF					6,174,402
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	1,761,766				87,048
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and sukuk/securities:		1,576,916		790,425	908,398
17	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	-	94,704	1,050,345	940,145
19	Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	294,926	102,548	279,352	380,316
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:	-	-	-	-	-
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-

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for the six months ended 30 June 2023

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5 FINANCIAL RISK MANAGEMENT (continued)

No.	Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
23	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	945,435	388,631	426,531	1,093,564
24	Other assets:	-	-	-	-	-
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	2,090,285	-	-	-	2,090,285
30	OBS items	-	-	-	-	43,344
31	Total RSF	-	2,817,278	585,882	2,546,653	5,543,102
32	NSFR(%)	-	-	-	-	111%

b. Liquidity Coverage Ratio (LCR)

LCR is computed as a ratio of Stock of High Quality Liquid Assets (HQLA) over the Net cash outflows over the next 30 calendar days.

	Average balance	
	30 June 2023 (reviewed)	31 December 2022 (audited)
Stock of HQLA	495,139	272,429
Net cashflows	214,439	213,055
LCR %	237%	134%
Minimum required by CBB	100%	100%

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5 FINANCIAL RISK MANAGEMENT (continued)

c. Capital Adequacy Ratio

	30 June 2023 (reviewed)	31 December 2022 (audited)
CET 1 Capital before regulatory adjustments	992,734	1,020,249
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	992,734	1,020,249
T 2 Capital adjustments	60,243	52,628
Regulatory Capital	1,052,977	1,072,877
Risk weighted exposure:		
Credit Risk Weighted Assets	6,459,029	6,799,081
Market Risk Weighted Assets	47,926	54,624
Operational Risk Weighted Assets	436,932	431,784
Total Regulatory Risk Weighted Assets	6,943,887	7,285,489
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	6,943,882	7,285,484
Capital Adequacy Ratio (CAR)	15.16%	14.73%
Tier 1 Capital Adequacy Ratio	14.30%	14.00%
Minimum CAR required by CBB	12.50%	12.50%

6 SEASONALITY

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

7 COMPARATIVES

Comparative figures have been regrouped in order to conform with the presentation for current period. Such regrouping did not affect previously reported profit for the period or total equity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2023

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8 TREASURY PORTFOLIO

	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
Placements with financial institutions	1,079,143	729,311	128,162
Derivatives			
<i>At fair value through income statement</i>	3,035	2,675	-
Equity type investments			
<i>At fair value through equity</i>			
- Quoted sukuk	33,008	32,966	32,844
<i>At fair value through income statement</i>			
- Structured notes*	390,631	371,978	365,964
- Quoted fund	28,803	-	-
Debt type investments			
<i>At fair value through equity*</i>			
- Quoted sukuk	805,585	846,205	849,750
<i>At amortised cost</i>			
- Quoted sukuk *	2,619,503	2,240,354	1,987,956
- Unquoted sukuk	3,494	3,494	3,494
Less: Impairment allowances	(19,075)	(16,963)	(12,625)
	4,944,127	4,210,020	3,355,545

* Short-term and medium-term facilities of US\$ 1,689,965 (31 December 2022: US\$ 1,653,875 thousand) are secured by quoted sukuk of US\$ 2,708,957 (31 December 2022: US\$ 2,506,041 thousand), structured notes of US\$ 390,631 (31 December 2022: US\$ 371,928 thousand).

Amortised cost sukuk of US\$ 2,619,503 thousand (31 December 2022: US\$ 2,240,354 thousand) had a market value of US\$ 2,443,410 thousand as at 30 June 2023 (31 December 2022: US\$ 2,085,938 thousand).

9 FINANCING ASSETS

	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
Murabaha	1,016,521	982,170	1,066,393
Wakala	239	239	239
Mudharaba	18,652	17,336	12,436
Ijarah assets	571,112	499,865	449,360
	1,606,524	1,499,610	1,528,428
Less: Impairment allowances	(71,129)	(64,372)	(70,670)
	1,535,395	1,435,238	1,457,758

Murabaha financing receivables are net of deferred profits of US\$ 52,220 thousands (31 December 2022: US\$ 50,133 thousands).

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9 Financing assets (continued)

The movement on financing assets and impairment allowances is as follows:

Financing assets	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,219,642	291,391	95,491	1,606,524
Expected credit loss	(6,144)	(28,374)	(36,611)	(71,129)
Financing assets (net)	1,213,498	263,017	58,880	1,535,395

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	18,046	11,990	34,336	64,372
Net movement between stages	(5,082)	3,774	1,308	-
Net charge for the period	(6,820)	12,610	967	6,757
Write-offs	-	-	-	-
At 30 June 2023 (reviewed)	6,144	28,374	36,611	71,129

Financing assets	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,286,549	143,496	69,565	1,499,610
Expected credit loss	(18,046)	(11,990)	(34,336)	(64,372)
Financing assets (net)	1,268,503	131,506	35,229	1,435,238

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	19,995	7,109	44,345	71,449
Net movement between stages	2,296	(1,411)	(885)	-
Net charge for the period	(4,245)	6,292	4,888	6,935
Write offs	-	-	(14,012)	(14,012)
At 31 December 2022 (audited)	18,046	11,990	34,336	64,372

Financing assets	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,293,478	140,040	94,910	1,528,428
Expected credit loss	(22,245)	(6,162)	(42,263)	(70,670)
Financing assets (net)	1,271,233	133,878	52,647	1,457,758

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	19,995	7,109	44,345	71,449
Net movement between stages	1,859	(1,302)	(557)	-
Net charge for the period	391	355	870	1,616
Writeoffs	-	-	(2,395)	(2,395)
At 30 June 2022 (Reviewed)	22,245	6,162	42,263	70,670

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2023

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10 INVESTMENT IN REAL ESTATE

	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
Investment Property			
- Land	572,314	556,215	520,773
- Building	199,177	194,050	165,716
	771,491	750,265	686,489
Development Property			
- Land	154,183	147,393	100,405
- Building	395,315	389,427	399,011
	549,498	536,820	499,416
	1,320,989	1,287,085	1,185,905

11 PROPRIETARY INVESTMENTS

	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Unquoted securities	2,942	9,480	10,000
- Listed securities	14,830	-	7,464
	17,772	9,480	17,464
<i>At fair value through equity</i>			
- Listed securities	-	-	13
- Equity type Sukuk	833,051	836,251	-
- Unquoted securities	56,999	55,893	959,190
	890,050	892,144	959,203
Equity-accounted investees	125,932	103,471	123,509
Impairment allowance	(11)	(42)	-
	1,033,743	1,005,053	1,100,176

12 CO-INVESTMENTS

	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
<i>At fair value through equity</i>			
- Unquoted securities	160,532	131,553	125,439
<i>At fair value through income statement</i>			
- Unquoted securities	8,939	10,498	10,630
	169,471	142,051	136,069

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2023**

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13 RECEIVABLES AND OTHER ASSETS

	30 June 2023	31 December 2022	30 June 2022
Investment banking receivables	206,390	193,923	142,120
Receivable from equity-accounted investees	62,000	62,000	-
Financing to projects, net	10,765	26,744	45,034
Receivable on sale of development properties	21,787	16,341	45,368
Advances and deposits	90,321	96,641	116,564
Employee receivables	12,195	5,067	18,508
Profit on sukuk receivable	18,172	18,766	11,423
Lease rentals receivable	5,460	6,117	2,549
Assets held for sale	29,147	-	-
Goodwill and intangibles	30,675	12,571	8,830
Prepayments and other receivables	247,033	161,015	160,908
Less: impairment allowance net (note 17)	(7,410)	(9,316)	(11,107)
	726,535	589,869	540,197

14 TERM FINANCING

	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
Murabaha financing *	1,716,001	1,680,940	1,719,685
Sukuk **	241,807	242,076	248,743
Ijarah financing	16,298	17,603	18,862
Other borrowings	1,600	1,579	1,557
	1,975,706	1,942,198	1,988,847

**Murabaha financing comprise:*

Short-term and medium-term facilities of US\$ 1,689,965 thousand (31 December 2022: US\$ 1,653,875 thousand) are secured by quoted sukuk of US\$ 2,708,957 thousand (31 December 2022: US\$ 2,506,041 thousand) and structured notes of US\$ 390,631 thousand (31 December 2022: US\$ 332,455 thousand).

*** Sukuk*

Represents outstanding unsecured sukuk certificates with a profit rate of 7.5% p.a. repayable by 2025. The outstanding sukuk also includes accrued profit of US\$ 7,417 thousand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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15 OTHER LIABILITIES

	30 June 2023	31 December 2022	30 June 2022
Employee related accruals	12,005	15,544	990
Deal related payables *	369,819	138,567	131,330
Board member allowances and accruals	-	1,500	-
Unclaimed dividends	3,154	4,754	5,428
Mudaraba profit accrual	13,021	13,184	11,123
Provision for employees' leaving indemnities	4,627	4,125	3,725
Zakah and Charity fund	7,273	5,924	5,971
Advance received from customers**	7,869	6,648	7,219
Accounts payable	108,785	127,968	185,768
Other accrued expenses and payables	100,236	105,149	105,666
Liabilities held for sale	3,305	-	-
	630,094	423,363	457,220

*Represents amounts payable against assets acquired as part of investment banking deals along with payable for ongoing project related costs of the said SPVs. These payables on receipt of funds from investment banking receivables and underlying SPV's are usually settled within 12 months.

**Represents amount received in advance from the customers on account of real estate assets to be delivered by the Group.

16 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	30 June 2023	31 December 2022	30 June 2022
From financial institutions	994,540	30,278	46,976
From non-financial institutions and individuals	1,164,840	1,183,396	1,202,569
	2,159,380	1,213,674	1,249,544

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2023**

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17 IMPAIRMENT ALLOWANCES

	Six months ended		Three months ended	
	30 June 2023 (reviewed)	30 June 2022 (reviewed)	30 June 2023 (reviewed)	30 June 2022 (reviewed)
Expected credit loss on:				
Bank balances	20	11	22	(14)
Treasury portfolio (note 8)	2,112	(1,626)	(1,907)	(228)
Financing assets, net (note 9)	6,757	1,616	8,448	(63)
Other receivables (note 13)	(1,906)	(2,871)	(148)	(3,948)
	6,983	(2,870)	6,415	(4,253)
Impairment on investment in equity securities	(31)	1	(99)	(1)
	6,952	(2,869)	6,316	(4,254)

18 Earning Per Share

The calculation of basic earning per share has been based on the following profit attributable to the ordinary shareholders and weighted-average number of ordinary shares outstanding. The Group does not have any diluted potentially ordinary shares as of the reporting dates. Hence, the basic and diluted earning per share is similar.

	Six months ended		Three months ended	
	30 June 2023 (reviewed)	30 June 2022 (reviewed)	30 June 2023 (reviewed)	30 June 2022 (reviewed)
Profit attributable to shareholders of the Bank	54,616	42,180	30,609	23,062
Weighted Average number of shares outstanding during the period	3,528,590	3,485,422	3,547,177	3,473,959
Earnings per share				
Basic and diluted earnings per share (US cents)	1.55	1.21	0.86	0.66

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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19 RELATED PARTY TRANSACTIONS

The significant related party balances and transactions as at 30 June 2023 are given below:

	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		
30 June 2023 (reviewed)					
Assets					
Cash and bank balances	-	-	-	13,754	13,754
Treasury portfolio	-	-	-	68,058	68,058
Financing assets	49,938	11,308	82,960	18,821	163,027
Proprietary investments	833,050	-	-	-	833,050
Co-investments	-	-	-	158,252	158,252
Receivables and prepayments	96,657	11,555	1,507	214,293	324,012
Liabilities					
Placements from financial, non-financial institutions and individuals	-	5,302	6,398	-	11,700
Current accounts	2,944	8	1,207	32,942	37,101
Payables and accruals	1,613	8,747	3,154	380,964	394,478
Equity of investment account holders	5,812	4,905	21,927	18,077	50,721
Income					
Investment banking	-	-	-	81,851	81,851
Commercial banking					
- Income from financing	-	324	133	-	457
- Less: Return to investment account holders	(24)	(117)	(2,653)	(8)	(2,802)
- Less: Finance expense	-	(125)	(6,430)	-	(6,555)
Treasury and proprietary investments	17,251	-	403	3,536	21,190
Expenses					
-Operating expenses	3	(790)	-	(37)	(824)
- Staff Cost	-	(5,670)	(347)	-	(6,017)
- Finance Cost	-	-	-	(1,262)	(1,262)

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19 Related party transactions (continued)

	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		
31 December 2022 (audited)					
Assets					
Cash and bank balances	-	-	-	12,777	12,777
Treasury portfolio	-	-	-	70,656	70,656
Financing assets	-	8,411	38,181	18,201	64,793
Proprietary investments	836,251	-	6,058	-	842,309
Co-investments	-	-	-	142,665	142,665
Receivables and prepayments	62,045	5,326	721	198,231	266,323
Liabilities					
Placements from financial, non-financial institutions and individuals	-	3,379	22,697	24,077	50,153
Current accounts	1,918	183	2,003	13,973	18,077
Payables and accruals	36,009	1,565		139,529	177,103
Equity of investment account holders	3,239	2,875	33,328	148,114	187,556
30 June 2022 (reviewed)					
Income					
Investment banking	-	-	-	20,419	20,419
Commercial banking					
- <i>Income from financing</i>	-	300	626	-	926
- <i>Fee and other income</i>	(1,809)	-	-	-	(1,809)
- <i>Less: Return to investment account holders</i>	(13)	(13)	(9,599)	(5)	(9,630)
- <i>Less: Finance expense</i>	-	(101)	-	-	(101)
Treasury and proprietary investments	10,500			27,613	38,113
Real Estate Income	-	3,020	-	-	3,020
Expenses					
Operating expenses	-	790	-	37	827
Staff Cost	-	4,545	-	-	4,545
Finance Cost	-	-	-	2,162	2,162

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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20 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 investment banking, commercial banking and treasury and proprietary.

	Investment banking	Commercial banking	Proprietary and treasury	Total
30 June 2023 (reviewed)				
Segment revenue	90,517	41,242	42,007	173,766
Segment expenses	(62,510)	(24,469)	(22,646)	(109,625)
Impairment allowance	-	(2,857)	(4,095)	(6,952)
Segment result	28,007	13,916	15,266	57,189
Segment assets	438,297	3,909,935	5,987,829	10,336,061
Segment liabilities	411,581	2,196,056	4,517,167	7,124,804
<i>Other segment information</i>				
Proprietary investments (<i>Equity-accounted investees</i>)	-	10,777	115,155	125,932
Equity of investment account holders	-	1,293,664	865,716	2,159,380
Commitments	55,485	170,656	-	226,141

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

	Investment banking	Commercial banking	Proprietary and treasury	Total
30 June 2022 (reviewed)				
Segment revenue	45,098	36,859	40,177	122,134
Segment expenses	(39,803)	(16,429)	(23,395)	(79,627)
Impairment allowance	3,763	(2,196)	1,302	2,869
Segment result	9,058	18,234	18,084	45,376
31 Dec 2022 (audited)				
Segment assets	201,828	3,785,535	5,772,928	9,760,291
Segment liabilities	171,359	1,761,879	5,541,985	7,475,223
Equity of investment account holders	-	1,189,016	24,658	1,213,674
<i>Other segment information</i>				
Proprietary investments (<i>Equity-accounted investees</i>)	-	5,303	98,168	103,471
Commitments	55,485	142,992	7,007	205,484

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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21 COMMITMENTS AND CONTINGENCIES

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

	30 June 2023 (reviewed)	31 December 2022 (audited)	30 June 2022 (reviewed)
Undrawn commitments to extend finance	126,804	100,422	122,480
Financial guarantees	43,852	49,044	76,562
Capital commitment for infrastructure development projects	55,485	55,485	60,446
Commitment to lend	-	533	1,610
	226,141	205,484	261,098

Performance obligations

During the ordinary course of business, the Group may enter performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group at 30 June 2023 due to the performance of any of its projects.

Litigations, claims and contingencies

The Group has several 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 Group entities also have been filed by former employees and customers. 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. Where applicable, appropriate provision has 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.

22 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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US\$ 000's

22 Financial instruments (continued)

Fair value hierarchy

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).

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Structured note	Fair value of underlying reference portfolio adjusted for embedded derivatives that protect downside risk and cap upside potential over the period of the contract.	Credit risk of counterparty and volatility assumptions for time to maturity	Ability of the Group to hold the structure note to maturity and impact of the value of embedded derivatives (strike prices and barriers for coupon and principal).
Equity investments	Discounted cash flow	Marketability factor and Discount rate	Ability of Group to exit these investments and their impact on the overall value as these are unquoted investments.

The potential effect of change in assumptions used above would have the following effects.

	30 June 2023 (reviewed)		30 June 2022 (reviewed)	
	Profit or loss	FVTE	Profit or Loss	FVTE
Equity instruments- marketability factor ($\pm 10\%$)	± 894	$\pm 21,753$	$\pm 1,063$	$\pm 18,464$
Structure notes- impact in underlying value ($\pm 5\%$)	$\pm 19,532$	-	$\pm 18,298$	-
Proprietary Investments- impact of change in value ($\pm 5\%$)	± 889	-	± 873	-
Quoted Fund- impact in underlying value ($\pm 5\%$)	$\pm 1,440$	-	-	-

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22 *Financial instruments (continued)*

The table below analyses the financial instruments carried at fair value, by valuation method.

30 June 2023 (reviewed)	Level 1	Level 2	Level 3	Total
<i>i) Proprietary investments</i>				
Investment securities carried at fair value through:				
- income statement	17,772	-	-	17,772
- equity	833,051	-	56,999	890,050
	850,823	-	56,999	907,822
<i>ii) Treasury portfolio</i>				
Investment securities carried at fair value through:				
- income statement	-	-	422,469	422,469
- equity	838,593	-	-	838,593
	838,593	-	422,469	1,261,062
<i>iii) Co-investments</i>				
Investment securities carried at fair value through				
- equity	-	-	160,532	160,532
- income statement	-	-	8,939	8,939
	-	-	169,471	169,471
	1,689,416	-	648,939	2,338,355

31 December 2022 (audited)	Level 1	Level 2	Level 3	Total
<i>(i) Proprietary investments</i>				
Investment securities carried at fair value through:				
- income statement	9,480	-	-	9,480
- equity	836,251	-	55,893	892,144
	845,731	-	55,893	901,624
<i>(ii) Treasury portfolio</i>				
Investment securities carried at fair value through:				
- income statement	-	-	374,653	374,653
- equity	879,171	-	-	879,171
	879,171	-	374,653	1,253,824
<i>iii) Co-investments</i>				
Investment securities carried at fair value through equity	-	-	131,553	131,553
Investment securities carried at fair value through income statement	-	-	10,498	10,498
	-	-	142,051	142,051
	1,724,902	-	572,597	2,297,499

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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US\$ 000's

22 Financial instruments (continued)

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

	30 June 2023 (reviewed)	31 December 2022 (audited)
At beginning of the period	572,597	667,289
Disposals at carrying value	(30,330)	(134,550)
Purchases	73,556	88,256
Fair value changes during the period	33,116	(48,398)
At end of the period	648,939	572,597

23 ASSETS UNDER MANAGEMENT AND CUSTODIAL ASSETS

The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of US\$ 8,418 (31 December 2022: US\$ 7,845 million). During the period, the Group had charged management fees amounting to US\$ 9,627 (30 June 2022: US\$ 3,584 thousands) to its assets under management.

24 Acquisition of subsidiary

During the period, the Group intends to sell the below mentioned subsidiary in next 12 months.

	% stake acquired	Place of incorporation	Nature of activities
Al Areen Leisure & Tourism The Lost Paradise of Dilmun Waterpark	100%	Kingdom of Bahrain	Leisure & Hospitality

Consideration

The total consideration amounted to US\$ 32,000 thousand and includes cash and deferred consideration. Deferred consideration of US \$ 25m will be paid over a period of 3 years including a profit rate of 6.5% per annum.