

BAHRAIN ISLAMIC BANK B.S.C.
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
31 MARCH 2024

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the three months ended 31 March 2024

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

To the Board of Directors of
Bahrain Islamic Bank B.S.C.
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2024 condensed consolidated interim financial information of Bahrain Islamic Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2024;
- the condensed consolidated income statement for the three-month period ended 31 March 2024;
- the condensed consolidated statement of total comprehensive income for the three-month period ended 31 March 2024;
- the condensed consolidated statement of income and attribution related to quasi-equity for the three-month period ended 31 March 2024;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2024;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2024; 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 31 March 2024 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

7 May 2024

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	31 March 2024 BD'000 (reviewed)	31 December 2023 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		56,530	61,602
Placements with financial institutions		63,158	51,689
Financing contracts	8	934,856	924,340
Investment securities	9	270,531	278,213
Investment in associates		8,309	8,302
Investment in real estate	10	14,725	14,725
Property and equipment		13,648	13,692
Other assets	11	6,965	5,528
TOTAL ASSETS		1,368,722	1,358,091
LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		113,946	95,842
Placements from non-financial institutions and individuals		342,701	297,215
Financing from financial institutions	12	102,058	181,502
Customers' current accounts		209,411	202,511
Other liabilities	13	44,707	24,668
Total Liabilities		812,823	801,738
Quasi-equity			
Financial institutions		41,894	39,865
Non-financial institutions and individuals		368,732	371,856
Total Quasi-equity	14	410,626	411,721
Owners' Equity			
Share capital		106,406	106,406
Treasury shares		(892)	(892)
Shares under employee share incentive scheme		(47)	(195)
Share premium		206	206
Reserves		14,600	14,107
Equity attributable to Bank's shareholders		120,273	119,632
Subordinated Mudaraba (AT1)		25,000	25,000
Total Owners' Equity		145,273	144,632
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		1,368,722	1,358,091

The condensed consolidated interim financial information was approved by the Board of Directors on 7 May 2024 and signed on its behalf by:


Zaid Khalid Abdulrahman
Chairman


Usman Ahmed
Vice Chairman


Yaser Abduljalil Alsharifi
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2024

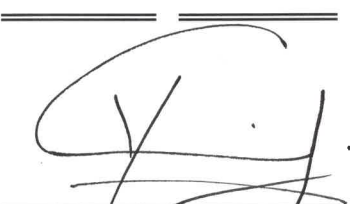
		Three months ended 31 March	
		2024	2023
	<i>Note</i>	BD'000	BD'000
		(reviewed)	(reviewed)
INCOME			
Income from financing contracts		13,330	11,977
Income from investment in Sukuk	15	3,837	3,468
Expense on placements from financial institutions		(1,755)	(1,768)
Expense on placements from non-financial institutions and individuals		(4,754)	(3,338)
Expense on financing from financial institutions		(2,249)	(1,194)
Total income from jointly financed assets		8,409	9,145
Fee and commission income, net		1,969	1,331
Income from investment in real estate, net		71	148
Share of results of associates, net		7	127
Other income, net		185	852
Total income		10,641	11,603
EXPENSES			
Staff costs		3,543	3,133
Depreciation and amortization		463	442
Other expenses		3,518	2,851
Total expenses		7,524	6,426
Operating income before impairment allowances and attribution to quasi-equity		3,117	5,177
Allowances for expected credit losses, net	16	(1,337)	(1,228)
Profit for the period before attribution to quasi-equity		1,780	3,949
Less: Net profit attributable to quasi-equity		(749)	(946)
PROFIT FOR THE PERIOD		1,031	3,003
BASIC AND DILUTED EARNINGS PER SHARE (fils)		0.98	2.85



Zaid Khalid Abdulrahman
Chairman



Usman Ahmed
Vice Chairman



Yaser Abduljalil Alsharifi
Chief Executive Officer

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the three months ended 31 March 2024

	Three months ended	
	31 March	
	2024	2023
	BD'000	BD'000
	(reviewed)	(reviewed)
Profit for the period	1,031	3,003
Other comprehensive income		
Items that may subsequently be classified to income statement		
Fair value changes on equity investments carried at fair value through OCI	1	20
Total other comprehensive income for the period	1	20
Total comprehensive income	1,032	3,023

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

For the three months ended 31 March 2024

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2024</i>	<i>2023</i>
	<i>BD'000</i>	<i>BD'000</i>
	<i>(reviewed)</i>	<i>(reviewed)</i>
Operating income before impairment allowances and attribution to quasi-equity	3,117	5,177
Adjusted for:		
Less: income not attributable to quasi-equity	(2,232)	(2,458)
Add: expenses not attributable to quasi-equity	16,282	12,726
Less: institution's share of income from jointly financed assets	(11,891)	(10,119)
Less: allowance for impairment allowances attributable to quasi-equity	(407)	(422)
Total income available for quasi-equity holders	4,869	4,904
Fair value reserve – net movement		
Profit equalization reserve – net movement	(52)	(23)
Total income attributable to quasi-equity holders (adjusted for reserves)	4,817	4,881
Less: Mudarib's share	(4,012)	(3,859)
Less: incentives payable to Mudarib	-	-
Add: Hiba by Mudarib to the quasi-equity holders	-	-
Less: Wakala fees	(56)	(76)
Net income attributable to quasi-equity	749	946
Investment risk reserve -net movement	-	-
Profit distributable to quasi-equity	749	946
Other comprehensive income – attributable to quasi-equity - before recycling to statement of income		
Items that will not be classified to income statement	-	-
Items that may subsequently be classified to income statement	-	-
Add/ (less): net effect of items recycled to income statement	-	-
Other comprehensive income – attributable to quasi-equity - net of recycling to income statement	-	-
Less: other comprehensive income not subject to immediate distribution	-	-
Other comprehensive income subject to immediate distribution	-	-
Net profit attributable to quasi-equity	749	946

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2024

	Three months ended 31 March	
	2024	2023
	BD'000	BD'000
	(reviewed)	(reviewed)
OPERATING ACTIVITIES		
Profit for the period	1,031	3,003
Adjustments for non-cash items:		
Depreciation	364	367
Allowances for expected credit losses, net	1,337	1,228
Amortization of right-of-use asset	99	75
Amortization of gain on sale of investment in real estate	-	(108)
Gain on sale of investment in sukuk	(3)	-
Share of results of associates, net	(7)	(127)
Operating profit before changes in operating assets and liabilities	2,821	4,438
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	(2,825)	(345)
Financing contracts	(11,883)	(19,776)
Other assets	(530)	(503)
Customers' current accounts	6,900	(31,044)
Other liabilities	19,736	(138)
Placements from financial institutions	18,656	12,967
Placements from non-financial institutions and individuals	45,486	53,173
Quasi-equity	(1,095)	(31,637)
Net cash from / (used in) operating activities	77,266	(12,865)
INVESTING ACTIVITIES		
Purchase of property and equipment	(320)	(172)
Purchase of investment securities	(45,572)	(1,581)
Proceeds from disposal of investment securities	52,283	1,547
Net cash from / (used in) investing activities	6,391	(206)
FINANCING ACTIVITIES		
Financing from financial institutions	(79,444)	(1,361)
Ijarah liability paid	(88)	(301)
Net cash used in financing activities	(79,532)	(1,662)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4,125	(14,733)
Cash and cash equivalents at 1 January	74,399	101,073
CASH AND CASH EQUIVALENTS AT 31 MARCH	78,524	86,340
Cash and cash equivalents comprise:		
Cash on hand	9,150	13,403
Balances with CBB, excluding mandatory reserve deposits	59	1,064
Balances with banks and other financial institutions excluding restricted balances	6,157	5,953
Placements with financial institutions with original maturities less than 90 days	63,158	65,920
	78,524	86,340

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2024

	Equity attributable to Bank's shareholders									
	Shares under employee share incentive scheme			Reserves						
	Treasury shares	Share capital	Share premium	Statutory reserve	Real estate fair value reserve	Investment securities fair value reserve	Retained earnings / (Accumulated losses)	Total reserves	Equity attributable to Bank's shareholders	Sub-ordinated mudaraba (AT1)
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
2024 - reviewed										
Balance at 1 January 2024	(892)	106,406	(195)	206	7,720	1,320	1,583	3,484	14,107	25,000
Profit for the period	-	-	-	-	-	-	1,031	1,031	1,031	-
Other comprehensive income	-	-	-	-	-	-	-	-	1	-
Total comprehensive income for the period	-	-	-	-	-	-	1,031	1,032	1,032	-
Zakah approved	-	-	-	-	-	-	(289)	(289)	(289)	-
Donations approved	-	-	-	-	-	-	(250)	(250)	(250)	-
Shares allocated to staff during the period	-	-	148	-	-	-	-	-	148	-
Balance at 31 March 2024	(892)	106,406	(47)	206	7,720	1,320	1,584	3,976	14,600	25,000
2023 - reviewed										
Balance at 1 January 2023	(892)	106,406	(293)	206	6,606	1,320	1,615	(4,217)	5,324	25,000
Profit for the period	-	-	-	-	-	-	-	3,003	3,003	-
Other comprehensive income	-	-	-	-	-	-	20	-	20	-
Total comprehensive income for the period	-	-	-	-	-	-	20	3,003	3,023	-
Zakah approved	-	-	-	-	-	-	-	(170)	(170)	-
Donations approved	-	-	-	-	-	-	-	(250)	(250)	-
Shares allocated to staff during the period	-	-	124	-	-	-	-	-	124	-
Balance at 31 March 2023	(892)	106,406	(169)	206	6,606	1,320	1,635	(1,634)	7,927	25,000
									113,478	138,478

1 REPORTING ENTITY

Bahrain Islamic Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain in 1979 by Amiri Decree No.2 of 1979 and registered with the Ministry of Industry and Commerce ("MOIC") under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank operates under an Islamic retail banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Bank is listed on the Bahrain Bourse.

National Bank of Bahrain (NBB) owns 78.81% (31 December 2023: 78.81%) of shares. Hence NBB is considered as Parent of the Bank for financial reporting purposes.

The Bank's registered office is at Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain.

The Bank has eight branches (2023: eight), all operating in the Kingdom of Bahrain.

The condensed consolidated interim financial information includes the results of the Bank and its wholly owned subsidiaries (together the "Group"). The Bank holds 100% of the share capital of Abaad Real Estate Company W.L.L., owned real estate company incorporated in Kingdom of Bahrain.

2 BASIS OF PREPARATION AND PRESENTATION

This condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI") and applicable rules and regulations issued by the Central Bank of Bahrain ("CBB").

The condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by Financial Accounting Standard 41 - Interim Financial Reporting. In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI standards the group uses guidance from the relevant standards issued by the International Accounting Standards Board ("IFRS Accounting").

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 2023. 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 2023.

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 audited consolidated financial statements as at and for the year ended 31 December 2023, except for adoption of following standards and amendments to standards effective from 1 January 2024. Adoption of these standards and amendments did not result in changes to previously reported net profit or equity of the Group, however it has resulted in additional disclosures.

A. Relevant new standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2024.

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

AAOIFI had 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. 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. Significant changes relevant to the Group are a) Definition of Quasi equity is introduced; b) Concept of comprehensive income has been introduced; and c) Disclosure of movement in Zakah and Charity have been relocated disclosed into the notes to the condensed consolidated financial information.

During the period, the Group has adopted FAS 1 revised. As a result of this adoption following changes were made to the primary statements of the Group:

Primary statements introduced:

- Statement of total comprehensive income
- Statement of income and attribution related to quasi-equity

Primary statements discontinued:

- Statement of sources and uses of good faith qard fund
- Statement of sources and uses of zakah and charity fund

As a result of the adoption of FAS 1 revised certain prior year figures have been represented and regrouped to be consistent with the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group. Further, the Group has elected to present statement of income and a statement of other comprehensive income as two separate statements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Relevant new standards, amendments, and interpretations issued but not yet effective

(i) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the financial statements on the adoption of this standard.

(ii) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the financial statements on the adoption of this standard.

(iii) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the financial statements on the adoption of this standard.

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2023.

5 JUDGMENT AND ESTIMATES

Preparation of the 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 the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2023.

6 COMPARATIVE INFORMATION

The condensed 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 2023 and comparatives for the condensed consolidated statements of income, changes in owner's equity and cash flows have been extracted from the Group's reviewed condensed consolidated interim financial information for the three months ended 31 March 2023.

The 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.

7 SEASONALITY

The Bank does not have significant income of seasonal nature.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

8 FINANCING CONTRACTS

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Trade-based		
Murabaha	652,953	634,436
Participatory-based		
Musharaka	87,023	90,204
Lease-based		
Ijarah Muntahia Bittamleek (net of accumulated depreciation)	323,465	322,309
Gross financing contracts	1,063,441	1,046,949
Deferred profits	(87,210)	(82,719)
Expected credit losses allowance (8.1)	(41,375)	(39,890)
Net financing contracts	934,856	924,340

8.1 The movement on expected credit losses allowances is as follows:

2024	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Gross financing contracts	886,962	88,106	88,373	1,063,441
Less: Deferred profits	61,806	11,900	13,504	87,210
Less: Expected credit losses allowance				
At 1 January 2024	4,064	8,612	27,214	39,890
Net movement between stages	91	(385)	294	-
Net charge for the period	(44)	383	1,428	1,767
Write-off	-	-	(282)	(282)
Expected credit losses allowance at 31 March 2024	4,111	8,610	28,654	41,375
Net financing contracts	821,045	67,596	46,215	934,856
2023	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Gross financing contracts	871,496	95,664	79,789	1,046,949
Less: Deferred profits	58,828	12,629	11,262	82,719
Less: Expected credit losses allowance				
At 1 January 2023	4,717	11,542	26,170	42,429
Net movement between stages	298	(2,178)	1,880	-
Net charge for the year	(951)	(752)	7,323	5,620
Write-off	-	-	(8,159)	(8,159)
Expected credit losses allowance at 31 December 2023	4,064	8,612	27,214	39,890
Net financing contracts	808,604	74,423	41,313	924,340

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

9 INVESTMENT SECURITIES

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
i) Debt type instruments*		
<i>Quoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	240,136	222,116
Acquisitions	45,572	18,125
Disposals and redemptions	(52,115)	(105)
Gross balance at the end of the period**	233,593	240,136
Expected credit losses allowance	(51)	(82)
Fair value losses on hedged items attributable to profit rate risk hedged**	(1,744)	(738)
Net balance at the end of the period	231,798	239,316
<i>Unquoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	30,927	30,938
Disposals and redemptions	(165)	-
Foreign currency translation changes	(5)	(11)
Gross balance at the end of the period	30,757	30,927
Expected credit losses allowance	(12,511)	(12,516)
Net balance at the end of the period	18,246	18,411
ii) Equity type instruments		
<i>Unquoted shares - at fair value through equity</i>		
Balance at beginning of the period	20,050	20,081
Fair value movement - net***	1	(31)
Balance at the end of the period	20,051	20,050
<i>Unquoted managed funds</i>	436	436
Total net investment securities	270,531	278,213

* As of 31 March 2024, debt type instruments includes Sukuk of BD 112,402 thousand (31 December 2023: BD 208,060 thousand) pledged against financing from financial institutions of BD 102,058 thousand (31 December 2023: BD 181,502 thousand) (note 12).

** As of 31 March 2024, sukuk of BD 108,029 thousand (31 December 2023: BD 77,360) carried at amortised cost were hedged through profit rate swaps and the resultant fair value losses on the hedged items related to profit rate risk of BD 1,744 thousand (31 December 2023: BD 738 thousand) were adjusted to the carrying value.

***Includes BD 1 thousand fair value gain (31 December 2023: BD 32 thousand fair value loss) reported in investment securities fair value reserve and BD nil thousand (31 March 2023: BD nil thousand) is disclosed in condensed consolidated income statement.

10 INVESTMENT IN REAL ESTATE

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Lands	14,725	14,725
	14,725	14,725
Movement on investment in real estate:		
Beginning of the period	14,725	16,176
Disposal	-	(1,401)
Fair value changes	-	(50)
End of the period	14,725	14,725

Investment in real estate comprises of plots of land located in the Kingdom of Bahrain and the United Arab Emirates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

11 OTHER ASSETS

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Receivables*	622	247
Staff advances	1,546	1,566
Prepaid expenses	521	368
Risk management instruments (11.1)	1,744	969
Right of use asset (11.2)	583	438
Other	1,949	1,940
	6,965	5,528

*Receivables include expected credit losses allowance of BD 103 thousand (31 December 2023: BD 103 thousand).

11.1 Risk management instruments

The risk management instruments are valued based on observable inputs. The fair values of risk management financial instruments held by the Group as at 31 March 2024 are provided below:

	31 March 2024		31 December 2023	
	Assets BD'000	Liabilities BD'000	Assets BD'000	Liabilities BD'000
Profit rate swaps (Fair value hedges)	1,744	-	738	-
Foreign exchange contracts (Waad) (Other risk management instruments)	-	107	231	-
	1,744	107	969	-

The notional amount of risk management financial instruments held by the Group as at 31 March 2024 are provided below:

	31 March 2024		31 December 2023	
	Assets BD'000	Liabilities BD'000	Assets BD'000	Liabilities BD'000
Profit rate swaps (Fair value hedges)	108,029	-	77,360	-
Foreign exchange contracts (Waad) (Other risk management instruments)	86,228	86,335	62,923	63,154
	194,257	86,335	140,283	63,154

The net hedge ineffectiveness gain/losses recognized in the condensed consolidated income statement are as follows:

	31 March 2024 BD'000	31 March 2023 BD'000
Losses on the hedged items attributable to risk hedged	(1,744)	(738)
Gains on the hedging instruments	1,744	738
Net hedge ineffectiveness (loss)/gain	-	-

11.2 RIGHT OF USE ASSET

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
At 1 January	438	230
Additions for the period	244	547
Amortisation charge for the period	(99)	(339)
End of the period	583	438

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

12 FINANCING FROM FINANCIAL INSTITUTIONS

This represents term murabaha facilities of BD 102,058 thousand (2023: BD 181,502 thousand) secured by pledge over Sukuk of BD 112,402 thousand (2023: BD 208,060 thousand) (note 9). The term murabaha facilities includes BD 68,589 thousand (2023: BD 103,144 thousand) from the Parent. The average rate of financing is 6.03% (2023: 5.86%).

13 OTHER LIABILITIES

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Managers' cheques	9,004	1,433
Payable to vendors	3,892	1,051
Accrued expenses	5,681	6,640
Zakah and charity fund*	1,427	927
Net Ijarah liability (13.1)	580	419
Other**	24,123	14,198
	44,707	24,668

* During the period ended 31 March 2024, BD 607 thousand (2023: BD 489 thousand) was transferred into the Zakah and charity fund and BD 107 thousand (2023: BD 98 thousand) was utilised from the Zakah and charity fund. There were no movements in the good faith and Qard fund during the quarter.

** Other includes expected credit losses allowance for commitments and contingent liabilities of BD 1,126 thousand (31 December 2023: BD 1,526 thousand).

13.1 NET IJARAH LIABILITY

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Maturity analysis – Gross Ijarah liability		
Less than one year	348	297
One to five years	343	236
Total gross Ijarah liability	691	533
Maturity analysis – Net Ijarah liability		
Less than one year	274	207
One to five years	306	212
Total net Ijarah liability	580	419

14 QUASI-EQUITY

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Placements from financial institutions – Wakala	41,894	39,865
Placements from non-financial institutions and individuals – Wakala	3,261	4,769
Placements from non-financial institutions and individuals - Mudharaba	365,471	367,087
	410,626	411,721

The funds received from Wakala pool and mudharba pool together quasi-equity have been commingled and jointly invested with the Group in the following asset classes and reported under quasi-equity:

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Cash and balances with banks and Central Bank	39,984	13,673
Placements with financial institutions	16,029	-
Financing contracts, net	279,780	290,683
Investment securities, net	74,833	107,365
	410,626	411,721
Profit equalisation reserve		
	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Opening reserve balance	113	1,486
Movement during the period	52	(1,373)
Ending reserve balance	165	113

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

15 INCOME FROM INVESTMENT IN SUKUK

	31 March 2024 BD'000 (Reviewed)	31 March 2023 BD'000 (Reviewed)
Profit income on investment in Sukuk	3,834	3,468
Gain on sale of Sukuk	3	-
	3,837	3,468

16 ALLOWANCES FOR EXPECTED CREDIT LOSSES, NET

	31 March 2024 BD'000 (Reviewed)	31 March 2023 BD'000 (Reviewed)
Financing contracts (note 8.1)	1,767	1,364
Investments in Sukuk	(31)	(10)
Placements with financial institutions	1	1
Other assets	-	52
Commitments	(400)	(179)
Total allowances for expected credit losses, net	1,337	1,228

17 COMMITMENTS AND CONTINGENT LIABILITIES

These include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Letters of credit and guarantees commit the Group to make payments on behalf of customers.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	31 March 2024 BD'000 (Reviewed)	31 December 2023 BD'000 (Audited)
Letters of credit and acceptances	1,345	1,154
Guarantees	27,222	24,011
Credit Cards	41,593	39,551
Altamweel Almaren	27,591	38,084
Commitments to finance	20,228	11,895
	117,979	114,695

Expected credit losses allowance of BD 1,126 thousand (31 December 2023: BD 1,526 thousand) has been provided on account of the credit risk on these for commitments and contingent liabilities.

18 LITIGATIONS AND CLAIMS

In the normal course of business, legal cases are filed by the Bank against its customers and against the Bank by its customers, employees or investors. The Group's legal department engages with in-house legal counsel and external legal counsel depending on the nature of the cases. A periodic assessment is carried out to determine the likely outcome of these legal cases and is reported to the senior management and Board of directors. The Group as part of the periodic assessment maintains adequate provisions. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors believe that such disclosures may be prejudicial to the Group's legal position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

19 RELATED PARTY TRANSACTIONS

Related parties comprise of major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership or directors with that of the Bank. The transactions with these parties were made on commercial terms.

During the period, BD nil thousand (31 March 2023: BD nil thousand) was paid to the Parent as profit declarations on AT1 securities.

The significant balances and transactions with related parties at 31 March 2024 were as follows:

31 March 2024 (reviewed)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Cash and balances with banks and Central Bank	1,240	-	-	-	1,240
Placements with financial institutions	20,024	-	-	-	20,024
Financing contracts	-	-	692	420	1,112
Investment in associates	-	8,309	-	-	8,309
Other assets	2,974	-	-	456	3,430
Liabilities and Quasi-equity					
Financing from financial institutions	68,589	-	-	-	68,589
Placements from non-financial institutions and individuals	-	-	1,894	362	2,256
Placements from financial institutions	20,256	-	-	-	20,256
Customers' current accounts	-	888	292	104	1,284
Other liabilities	5,990	-	174	-	6,164
Quasi-equity	-	-	531	1,709	2,240
Off Balance sheet					
Profit rate swap - notional amount	108,029	-	-	-	108,029
31 March 2024 (reviewed)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing contracts	-	-	5	5	10
Income from investment in Sukuk	470	-	-	-	470
Placements with financial institutions	287	-	-	-	287
Share of results of associates, net	-	7	-	-	7
Other income	(1,006)	-	-	-	(1,006)
Net income attributable to quasi-equity	-	-	-	(22)	(22)
Expense on placements from financial institutions	(277)	-	-	-	(277)
Expense on placements from non-financial institutions and individuals	-	-	(41)	(7)	(48)
Expense on financing from financial institutions	(1,346)	-	-	-	(1,346)
Expenses					
Staff costs	-	-	-	(826)	(826)
Other expenses	-	-	(150)	-	(150)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

19 RELATED PARTY TRANSACTIONS (continued)

31 December 2023 (audited)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Cash and balances with banks and Central Bank	1,792	-	-	-	1,792
Placements with financial institutions	16,006	-	-	-	16,006
Financing contracts	-	-	697	430	1,127
Investment in associates	-	8,302	-	-	8,302
Other assets	1,668	-	-	481	2,149
Liabilities and Quasi-equity					
Placements from financial institutions	11,694	-	-	-	11,694
Financing from financial institutions	103,144	-	-	-	103,144
Placements from non-financial institutions and individuals	-	-	2,842	497	3,339
Customers' current accounts	-	975	248	109	1,332
Other liabilities	4,666	-	476	-	5,142
Quasi-equity	-	-	336	1,632	1,968
Off Balance sheet					
Profit rate swap - notional amount	77,360	-	-	-	77,360
31 March 2023 (reviewed)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing contracts	-	-	22	4	26
Income from investment in Sukuk	374	-	-	-	374
Placements with financial institutions	216	-	-	-	216
Share of results of associates, net	-	127	-	-	127
Other income	599	-	-	-	599
Net income attributable to quasi-equity	-	-	(1)	(11)	(12)
Expense on financing from financial institutions	(1,150)	-	-	-	(1,150)
Expenses					
Staff costs	-	-	-	(575)	(575)
Other expenses	-	-	(164)	-	(164)

Compensation of the key management personnel is as follows:

	Three months ended 31 March	
	2024 BD'000	2023 BD'000
Short term employee benefits	755	512
Other long term benefits	71	63
	826	575

20 FINANCIAL INSTRUMENTS**Fair value hierarchy**

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities/Sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/Sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

In case of financing assets the average profit rate of the portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the current value would not be materially different from fair value of these assets. Unquoted shares and unquoted managed funds of BD 20,487 thousand (31 December 2023: BD 20,486 thousand) are treated as Level 3 investments. During the period fair value movement of BD nil thousand (31 December 2023: BD nil thousand) was charged to income statement and BD 1 thousand fair value gain was reported in the fair value reserve (31 December 2023: BD 31 thousand fair value loss). The estimated fair value of the Bank's other financial instruments are not significantly different from their carrying values due to their short-term nature.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
31 March 2024				
Investment securities				
Unquoted shares	-	-	20,051	20,051
Unquoted managed funds	-	-	436	436
Other assets	-	1,744	-	1,744
Total	-	1,744	20,487	22,231
	<i>Level 1</i> <i>BD'000</i>	<i>Level 2</i> <i>BD'000</i>	<i>Level 3</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
31 December 2023				
Investment securities				
Unquoted shares	-	-	20,050	20,050
Unquoted managed funds	-	-	436	436
Other assets	-	738	-	738
Total	-	738	20,486	21,224

Transfers between Level 1, Level 2 and Level 3

During the three-months period ended 31 March 2024 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

21 SEGMENTAL INFORMATION

For management purposes, the Group is organised into three major business segments;

Corporate	Principally handling equity of corporate investment accountholders', corporate current accounts, and providing Islamic financing facilities to corporate customers.
Retail	Principally handling equity of individual retail customers' investment accountholders', retail current accounts, and providing Islamic financing facilities to individual customers.
Investment	Principally handling equity of banks' and financial institutions' investment accountholders, providing money market, trading and treasury services as well as the management of the Group's investment activities. Investment activities involve handling investments in local and international markets and investment in properties.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information is disclosed as follows:

For the three months ended 31 March 2024 (Reviewed)

	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Total net income	1,673	6,357	1,862	9,892
Total expenses	(1,548)	(5,287)	(689)	(7,524)
Allowances for expected credit losses, net	(678)	(688)	29	(1,337)
Profit / (Loss) for the period	(553)	382	1,202	1,031

Other information**31 March 2024 (Reviewed)**

	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Segment assets	321,914	677,447	369,361	1,368,722
Segment liabilities, quasi-equity and owners' equity	401,688	641,568	325,466	1,368,722

For the three months ended 31 March 2023 (Reviewed)

	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Total net income	1,017	6,100	3,540	10,657
Total expenses	(1,353)	(4,448)	(625)	(6,426)
Allowances for expected credit losses, net	(700)	(537)	9	(1,228)
Profit / (Loss) for the period	(1,036)	1,115	2,924	3,003

Other information**31 December 2023 (Audited)**

	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Segment assets	303,460	686,073	368,558	1,358,091
Segment liabilities, quasi-equity and owners' equity	311,695	615,188	431,208	1,358,091

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholder of the Bank (adjusted for Profit distribution on AT 1 Capital) by the weighted average number of shares outstanding during the period net of treasury shares. There are no dilutive potential shares that are convertible into shares.

	Three months ended 31 March	
	2023 <i>(Reviewed)</i>	2022 <i>(Reviewed)</i>
Profit for the period attributable to the shareholders of the bank	1,031	3,003
Less: Profit distribution on AT 1 Capital	-	-
Profit for the period attributable to the shareholders of the bank for basic and diluted earnings per share computation	1,031	3,003
Weighted average number of shares outstanding during the period, net of treasury shares (thousand)	1,054,585	1,053,682
Basic and diluted earnings per share (fils)	0.98	2.85

AT1 Profits are paid annually and hence not adjusted every quarter. Accordingly, the quarterly EPS may not be indicative of the annual measure.

23 COMPARATIVES

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

24 NET STABLE FUNDING RATIO

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items and promotes funding stability.

The NSFR is calculated in accordance with the Liquidity Risk Management Module guidelines issued by CBB and its effective from 31 December 2019. The minimum NSFR ratio as per CBB is 100%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

24 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 March 2024 is calculated as follows:

Item	Unweighted Values (before applying factors)				BD'000
	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):					
Capital:					
Regulatory Capital	153,958	-	-	14,386	168,345
Other Capital Instruments	-	-	-	-	-
Retail Deposits and deposits from small business customers:					
Stable Deposits	-	262,617	7,187	19	256,333
Less stable deposits	-	298,562	82,925	10,211	353,549
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	390,623	126,022	577	139,718
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	34,410	-	-	-
Total ASF	153,958	986,212	216,134	25,193	917,945
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	226,540	-	72,689	-	45,215
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	78,439	776	9,837	21,991
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	84,126	76,227	721,274	691,829
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	1,744	-	-	-	1,744
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	108,604	-	-	1,240	109,845
OBS items	117,979	-	-	-	5,899
Total RSF	454,867	162,565	149,692	732,351	876,523
NSFR (%)					104.7%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2024

24 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 December 2023 is calculated as follows:

Item	No Specified maturity	Unweighted Values (before applying factors)			BD'000
		Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	154,747	-	-	14,251	168,998
Other Capital Instruments	-	-	-	-	-
Retail Deposits and deposits from small business customers:					
Stable Deposits	-	260,744	7,033	66	254,455
Less stable deposits	-	297,098	70,883	16,874	348,056
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	434,595	101,386	113	132,793
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	13,062	-	-	-
Total ASF	154,747	1,005,499	179,302	31,304	904,302
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	240,425	-	72,960	-	45,723
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	59,063	746	9,318	18,550
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	105,084	63,848	713,679	690,226
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	738	-	-	-	738
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	103,199	-	-	1,792	104,991
OBS items	114,696	-	-	-	5,735
Total RSF	459,058	164,147	137,554	724,789	865,963
NSFR (%)					104.4%