GFH FINANCIAL GROUP BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2024

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	2nd Floor, Harbor House Building Number 1436 Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Abdulmohsen Rashed Alrashed, *Chairman* (from March 2024) Ghazi Faisal Ebrahim Alhajeri, *Vice Chairman* Hisham Ahmed Alrayes Ali Murad Darwish Al Ketbi Fawaz Talal Al Tamimi Rashid Nasser Al Kaabi Yusuf Abdulla Taqi (till March 2024) Edris Mohd Rafi Mohd Saeed Al-Rafi (till March 2024) Abdulaziz Abdulhamid Albassam (from March 2024) Abdulla Jehad Alzain (from March 2024) H.H Shaikha Minwa Bint Ali Bin Khalifa Al Khalifa (from March 2024)
Chief Executive Officer	:	Hisham Ahmed Alrayes
Auditors	:	KPMG Fakhro

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

To the Board of Directors of
GFH Financial Group BSC
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2024 condensed consolidated interim financial information of GFH Financial Group BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2024;
- the condensed consolidated statement of income 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;
- the condensed consolidated statement of changes in off-balance-sheet assets under management 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".

KPMG

14 May 2024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2024 US$ 000's

	Note	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
ASSETS				
Cash and bank balances		353,153	376,884	752,515
Treasury portfolio	8	4,533,248	5,135,032	4,787,937
Financing contracts	9	1,845,623	1,544,810	1,506,597
Investment in real estate	10	1,132,287	1,371,932	1,296,531
Proprietary investments	11	1,155,023	1,044,727	1,020,915
Co-investments	12	262,796	254,610	157,847
Receivables and other assets	13	991,601	780,144	670,387
Property and equipment		284,442	274,721	208,138
Assets held for sale		-	338,619	-
TOTAL ASSETS		**10,558,173**	11,121,479	10,400,867
LIABILITIES				
Clients' funds		130,459	206,222	195,078
Placements from financial institutions		1,776,829	2,323,217	3,898,395
Placements from non-financial institutions and individuals		1,125,507	960,050	1,081,942
Customer current accounts		220,274	203,697	176,676
Term financing	14	2,070,989	2,124,307	1,919,213
Other liabilities	15	477,198	548,056	428,037
Liabilities held for sale		-	230,562	-
TOTAL LIABILITIES		**5,801,256**	6,596,111	7,699,341
QUASI EQUITY	16	**3,672,269**	3,451,006	1,643,847
OWNERS' EQUITY				
Share capital		1,015,637	1,015,637	1,015,637
Treasury shares		(110,668)	(125,525)	(84,467)
Statutory reserve		47,518	47,518	36,995
Investment fair value reserve		(39,059)	(46,103)	(52,626)
Cash flow hedge reserve		(2,135)	(2,135)	-
Other reserve		(11,887)	(13,612)	-
Retained earnings		19,883	105,831	60,251
Share grant reserve		4,440	7,930	6,930
Total equity attributable to shareholders of the Bank		**923,729**	989,541	982,720
Non-controlling interests		160,919	84,821	74,959
Total owners' equity		**1,084,648**	1,074,362	1,057,679
TOTAL LIABILITIES, QUASI EQUITY AND OWNERS' EQUITY		**10,558,173**	11,121,479	10,400,867

The Board of Directors approved the condensed consolidated interim financial information on 14 May 2024 and signed on its behalf by:

Abdulmohsen Rashed Alrashed
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 INCOME
for the three months period ended 31 March 2024 US$ 000's

	Note	Three months ended 31 March 2024 (reviewed)	Three months ended 31 March 2023 (reviewed)
Investment banking			
Deal related income		33,232	42,164
Asset management		12,926	2,923
		46,158	45,087
Commercial banking			
Income from financing contracts		31,207	27,219
Treasury and investment income		26,158	25,513
Fee and other income		7,941	5,468
Less: Finance expense		(26,547)	(18,578)
		38,759	39,622
Treasury and Proprietary Investments			
Finance and treasury portfolio income, net		40,583	57,682
Direct investment income, net		59,618	3,055
Share of profit from equity-accounted investees		7,033	6,818
Income from co-investments		6,813	7,696
Income from sale of assets		10,123	72
Leasing and operating income		4,872	4,430
Other income, net		881	1,950
Finance expenses - Repo and FI		(51,867)	(61,357)
		78,056	20,346
TOTAL INCOME		**162,973**	105,055
Other operating expenses		61,612	41,100
Finance expense - Term financing and others		13,782	20,761
Impairment allowances	17	13,786	636
TOTAL EXPENSES		**89,180**	62,497
Profit for the period before attribution to quasi equity		**73,793**	42,558
Less: Net income attributable to quasi-equity		(43,450)	(18,120)
PROFIT FOR THE PERIOD		**30,343**	24,438
Attributable to:			
Shareholders of the Bank		27,135	24,007
Non-controlling interests		3,208	431
		30,343	24,438
Earnings per share			
Basic and diluted earnings per share (US cents)	18	**0.77**	0.72

Abdulmohsen Rashed Alrashed
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.

CONDESNED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
for the three months period ended 31 March 2024 US$ 000's

	Three months ended 31 March 2024 (Reviewed)	Three months ended 31 March 2023 (Reviewed)
Profit for the period	**30,343**	24,438
Other comprehensive income (OCI)		
Items that may subsequently be classified to income statement		
Fair value changes on debt investments carried at fair value through OCI	2,976	5,642
Fair value changes on equity investments carried at fair value through OCI	1,569	(5,339)
Attributable to quasi-equity	138	-
Total other comprehensive income for the period	**4,683**	303
Total comprehensive income	**35,026**	24,741
Attributable to:		
Shareholders of the Bank	35,904	24,576
Non-controlling interests	(878)	165
	35,026	24,741

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

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

For the three months period ended 31 March 2024 US$ 000's

	Note	**Three months ended 31 March 2024** (Reviewed)	Three months ended 31 March 2023 (Reviewed)
Net operating income attribution to quasi equity		**73,793**	42,558
Adjusted for:			
Less: income not attributable to quasi-equity		(75,686)	(68,669)
Add: Profit expense on due to banks and non-banks		30,448	23,284
Add: expenses not attributable to quasi-equity		85,617	62,497
Less: institution's share of income for its own/ share of investments		(41,024)	(29,581)
Less: allowance for impairment allowances attributable to quasi-equity		2,281	(13)
Total income available for quasi-equity holders		**75,429**	30,076
Profit equalization reserve – net movement		-	-
Total income attributable to quasi-equity holders (adjusted for reserves)		**75,429**	30,076
Less: Mudarib's share		(3,222)	(7,433)
Less: Wakala fees		(28,757)	(4,523)
Net income attributable to quasi-equity		**43,450**	18,120
Investment risk reserve -net movement		-	-
Profit distributable to quasi-equity		**43,450**	18,120
Other comprehensive income that may subsequently be classified to statement of income		(138)	-
Total comprehensive income – attributable to quasi-equity		**43,312**	18,120
Add: Other comprehensive income not subject to immediate distribution		138	-
Net profit attributable to quasi-equity		**43,450**	18,120

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months period ended 31 March 2024 US$ 000's

	Attributable to shareholders of the Bank										
31 March 2024 (Reviewed)	**Share capital**	**Treasury shares**	**Statutory reserve**	**Cashflow hedge reserve**	**Other reserve**	**Investment fair value reserve**	**Retained earnings**	**Share grant reserve**	**Total**	**Non-Controlling Interests (NCI)**	**Total owners' equity**
Balance at 1 January 2024	1,015,637	(125,525)	47,518	(2,135)	(13,612)	(46,103)	105,831	7,930	989,541	84,821	1,074,362
Profit for the period	-	-	-	-	-	-	27,135	-	27,135	3,208	30,343
Other comprehensive income	-	-	-	-	1,725	7,044	-	-	8,769	(4,086)	4,683
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**1,725**	**7,044**	**27,135**	**-**	**35,904**	**(878)**	**35,026**
Issue of shares under incentive scheme (net)	-	-	-	-	-	-	-	(3,490)	(3,490)	-	(3,490)
Transfer to zakah and charity fund	-	-	-	-	-	-	(7,038)	-	(7,038)	-	(7,038)
Dividends declared for 2023	-	-	-	-	-	-	(61,000)	-	(61,000)	-	(61,000)
Sale of shares in subsidiary	-	-	-	-	-	-	-	-	-	(33,766)	(33,766)
Purchase of treasury shares	-	(85,751)	-	-	-	-	-		(85,751)	-	(85,751)
Sale of treasury shares	-	100,608	-	-	-	-	(9,266)	-	91,342	-	91,342
Additional NCI without a change in control (note 1)	-	-	-	-	-	-	(35,779)	-	(35,779)	110,742	74,963
Balance at 31 March 2024	**1,015,637**	**(110,668)**	**47,518**	**(2,135)**	**(11,887)**	**(39,059)**	**19,883**	**4,440**	**923,729**	**160,919**	**1,084,648**

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 three months period ended 31 March 2024 *(continued)* US$ 000's

	Attributable to shareholders of the Bank								
31 March 2023 (Reviewed)	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Retained earnings	Share grant reserve	Total	Non-Controlling Interests (NCI)	Total owners' equity
Balance at 1 January 2023	1,015,637	(105,598)	36,995	(53,195)	95,831	6,930	996,600	74,794	1,071,394
Profit for the period	-	-	-	-	24,007	-	24,007	431	24,438
Other comprehensive income	-	-	-	569	-	-	569	(266)	303
Total comprehensive income for the period	-	-	-	569	24,007	-	24,576	165	24,741
Purchase of treasury shares	-	(8,342)	-	-	-	-	(8,342)	-	(8,342)
Sale / vesting of treasury shares	-	29,473	-	-	(2,326)	-	27,147	-	27,147
Dividends declared for 2022	-	-	-	-	(56,261)	-	(56,261)	-	(56,261)
Transfer to zakah and charity fund	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Balance at 31 March 2023	1,015,637	(84,467)	36,995	(52,626)	60,251	6,930	982,720	74,959	1,057,679

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 three months period ended 31 March 2024 US$ 000's

	31 March 2024 (reviewed)	31 March 2023 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	30,343	24,438
Adjustments for:		
Treasury and proprietary investments	(78,056)	(20,346)
Foreign exchange loss	2,344	953
Finance expense	13,782	20,761
Impairment allowances	13,786	636
Depreciation and amortisation	3,133	1,949
	(14,668)	28,391
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	63,895	150,012
Receivable and other assets	(81,654)	(64,359)
CBB Reserve and restricted bank balance	(5,082)	(5,638)
Financing contracts	(317,930)	(69,669)
Clients' funds	(15,763)	71,778
Customer current accounts	16,577	45,444
Quasi equity	221,263	430,173
Other liabilities	(181,967)	(52,587)
Net cash (used in) / from operating activities	**(315,329)**	533,545
INVESTING ACTIVITIES		
Payments for purchase of equipment	(3,085)	(809)
Sale / (purchase) of proprietary investment securities, net	844	(4,355)
Sale / (purchase) of treasury portfolio, net	12,413	(179,535)
Dividends received from proprietary investments and co-investments	36,796	11,531
Sale / (purchase) of investment in real estate	57,825	(10,655)
Net cash from /(used in) investing activities	**104,793**	(183,823)
FINANCING ACTIVITIES		
Financing liabilities, net	(37,069)	(18,127)
Finance expense paid	(123,090)	(101,782)
Proceeds from issuance additional shares in subsidiary (note 1)	102,000	-
Placements from financial, non-financial institutions and individuals	(380,931)	125,209
Dividends paid	(152)	(130)
Net proceeds from sale of treasury shares	14,863	21,130
Net cash (used in) / from financing activities	**(424,379)**	26,300
Net (decrease) / increase in cash and cash equivalents during the period	**(634,915)**	376,022
Cash and cash equivalents at 1 January	1,687,727	1,041,064
Cash and cash equivalents at 31 March *	**1,052,812**	1,417,086

Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB reserve balance and restricted cash)	278,680	677,487
Placements with financial institutions (original maturities of 3 months or less)	774,132	739,599
	1,052,812	1,417,086

** net of expected credit loss of US$ 23 thousands (31 March 2023: US$ 10 thousands).*

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT
for the three months period ended 31 March 2024 US$ 000's

31 March 2024 (Reviewed)	**Opening Balance**	**Additions during the period**	**Distribution/ NAV Movement**	**Income**	**Expenses**	**Group fees**	**Closing Balance**
Real Estate	9,142,438	87,092	(182,624)	46,284	(37,694)	(8,590)	9,046,906
Private Equity	709,755	155,500	11,784	15,385	(11,049)	(4,336)	877,039
As at 31 March 2024	**9,852,193**	**242,592**	**(170,840)**	**61,669**	**(48,743)**	**(12,926)**	**9,923,945**

The above assets under management are also funded by financing arrangements at the level of operations amounting to US$ 3.82 billion (31 December 2023: US$ 3.55 billion).

The Group fees is in the form of management fee, performance fee and/ or Wakala fees at the level of investment vehicles or investors. The above amounts include the groups co-investments in these products amounting to US$ 262,796 thousand (31 Dec 2023: US$ 254,610 thousand).

31 March 2023 (Reviewed)	Opening Balance	Additions during the period	Distribution/ NAV Movement	Income	Expenses	Group fees	Closing Balance
Real Estate	7,132,745	88,206	(83,261)	27,464	(25,035)	(2,429)	7,137,690
Private Equity	584,187	-	67,020	6,876	(6,382)	(494)	651,207
As at 31 March 2023	**7,716,932**	**88,206**	**(16,241)**	**34,340**	**(31,417)**	**(2,923)**	**7,788,897**

The above assets under management are also funded by financing arrangements at the level of operations amounting to US$ 3.27 billion (31 December 2022: US$ 3.27 billion).

The Group fees is in the form of management fee, performance fee and/ or Wakala fees at the level of investment vehicles or investors. The above amounts include the groups co-investments in these products amounting to US$ 157,847 million (31 Dec 2022: US$ 142,051 thousand).

for the three months period ended 31 March 2024 US$ 000's

1 REPORTING ENTITY

GFH Financial Group BSC ("the Bank") was incorporated in 1999 in the Kingdom of Bahrain under Commercial Registration No. 44136 and operates under an Islamic Wholesale Investment Banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's shares are listed on the Bahrain, Kuwait, Dubai and Abu Dhabi Financial Market Stock Exchanges. The Bank's sukuk certificates are listed on London Stock Exchange. The Bank's activities are regulated by the CBB. The principal activities of the Bank include investment advisory services and investment transactions which comply with Islamic rules and principles determined by the Bank's Shari'a Supervisory Board.

The condensed consolidated interim financial information for the three months ended 31 March 2024 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 31 March 2024**	**Activities**
GFH Partners Ltd (formally known as GFH Capital Limited)	United Arab Emirates	100%	Investment management
GFH Capital S.A.	Saudi Arabia	100%	Investment management
Khaleeji Bank BSC ('KHALEEJI')*	Kingdom of Bahrain	64.05%	Islamic retail bank
GBCORP B.S.C (c)		62.91%	Investment management
Al Areen Hotels W.L.L.		100%	Hospitality management services

*During the period, the Group has stake in KHALEEJI was diluted due to capital increase and the effective ownership as on 31 March 2024 is 64.05% (31 December 2023: 85.41%).

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.

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 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's last audited consolidated financial statements as at and for the year ended 31 December 2023, except those arising from certain changes due to adoption of the following standards and amendments to standards effective from 1 January 2024. The impact of adoption of these standards and amendments is set out below.

a. New standards, amemdments and interpretations issued and effective for annual periods beginning on or after 1 January 2024:

1) 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. 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. Below is a summary of the new primary statements:

Primary statements introduced
Statement of total comprehensive income
Statement of income and attribution related to quasi-equity
Statement of changes in off-balance-sheet assets under management

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations issued and effective for annual periods beginning on or after 1 January 2024: (continued)

Primary statements discontinued

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.

a. *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 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.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)".

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 periods beginning on or after 1 January 2026 with an option to early adopt.

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

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 2023.

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 2023.

Regulatory ratios

a. Net stable funding Ratio (NSFR)

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

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5 FINANCIAL RISK MANAGEMENT (continued)

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

As at 31 March 2024

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	943,645	-	-	73,762	1,017,407
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		161,534	36,985	3,176	191,769
6	Less stable deposits	-	1,926,517	954,649	181,554	2,774,603
7	Wholesale funding:					
8	Operational deposits					
9	Other Wholesale funding	-	3,458,997	1,311,156	1,053,772	4,822,447
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	414,326	-	51,077	51,077
13	Total ASF					8,857,304
	Required Stable Funding (RSF):					
14	Total NSFR high-quality liquid assets (HQLA)					100,411
15	Depsoits held at other financial institutions for opetational purposes					
16	Performing financing and sukuk/ securities:	-	1,221,265	-	1,107,955	1,124,952
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	-	20,857	77,653	1,126,519	1,006,796
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:	-	210,043	140,111	358,420	408,050
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	-	1,032,977	23,355	532,610	1,060,776
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	2,195
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	2,880,139	-	-	-	2,880,139
30	OBS items		-	-	-	67,006
31	Total RSF		2,485,142	241,118	3,125,505	6,650,325
32	NSFR(%)					133%

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5 FINANCIAL RISK MANAGEMENT (continued)

As at 31 December 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	1,023,275	-	-	64,133	1,087,409
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	159,304	36,446	3,763	189,725
6	Less stable deposits	-	1,964,119	518,381	503,663	2,737,913
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	4,157,571	544,672	1,438,472	5,452,622
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	481,509	-	36,139	36,139
13	Total ASF					9,503,808
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					97,918
15	Depsoits held at other financial institutions for opetational purposes					
16	Performing financing and sukuk/ securities:		1,841,985		791,830	949,354
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	-	19,610	934	1,041,445	895,500
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:	-	254,059	76,796	364,685	402,473
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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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	-	1,048,701	25,995	578,308	1,115,656
24	Other assets:	-	-	-	-	-
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	2,195
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	2,908,175	-	-	-	2,908,175
30	OBS items		-	-	-	62,381
31	Total RSF		3,164,354	103,726	2,776,269	6,433,652
32	NSFR(%)					148%

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	
	31 March 2024 (reviewed)	31 December 2023 (audited)
Stock of HQLA	505,969	444,865
Net cashflows	236,726	196,313
LCR %	219%	233%
Minimum required by CBB	100%	100%

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5 *FINANCIAL RISK MANAGEMENT (continued)*

c. Capital Adequacy Ratio

	31 March 2024 (reviewed)	31 December 2023 (audited)
CET 1 Capital before regulatory adjustments	983,783	1,023,275
Less: regulatory adjustments	-	-
CET 1 Capital after regulatory adjustments	983,783	1,023,275
AT1 Capital	8,028	-
T 2 Capital adjustments	73,762	64,133
Regulatory Capital	**1,065,573**	1,087,409
Risk weighted exposure:		
Credit Risk Weighted Assets	4,836,718	4,585,950
Market Risk Weighted Assets	76,551	90,135
Operational Risk Weighted Assets	511,093	506,408
Total Regulatory Risk Weighted Assets	**5,424,362**	5,182,493
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	**5,424,357**	5,182,488
Capital Adequacy Ratio (CAR)	**19.64%**	20.98%
Tier 1 Capital Adequacy Ratio	**18.28%**	19.74%
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 three-months 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 to conform with the presentation for current period. Such regrouping did not affect previously reported profit for the period or total equity.

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8 TREASURY PORTFOLIO

	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
Placements with financial institutions	781,615	1,458,368	1,065,226
Derivatives			
At fair value through statement of income	3,255	2,195	1,682
Equity type investments			
At fair value through OCI			
- Quoted sukuk	32,520	33,326	32,642
At fair value through statement of income			
- Structured notes*	414,695	404,839	388,258
- *Quoted fund*	26,347	27,099	25,000
Debt type investments			
*At fair value through OCI**			
- Quoted sukuk	852,523	784,300	828,240
At amortised cost			
- Quoted sukuk *	2,442,855	2,447,489	2,464,377
- Unquoted sukuk	4,538	3,494	3,494
Less: Impairment allowances	(25,100)	(26,078)	(20,982)
	4,533,248	5,135,032	4,787,937

* Short-term and medium-term facilities of US$ 1,821,934 thousand (31 December 2023: US$ 1,857,388 thousand) are secured by quoted sukuk of US$ 3,093,356 thousand (31 December 2023: US$ 2,762,506 thousand) and structured notes of US$ 414,695 thousand (31 December 2023: US$ 404,839 thousand).

9 FINANCING CONTRACTS

	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
Murabaha	1,326,114	1,029,324	973,027
Wakala	-	-	239
Mudharaba	20,894	20,564	17,956
Ijarah assets	565,267	559,200	578,056
	1,912,275	1,609,088	1,569,278
Less: Impairment allowances	(66,652)	(64,278)	(62,681)
	1,845,623	1,544,810	1,506,597

Murabaha financing receivables are net of deferred profits of US$ 38,615 thousands (31 December 2023: US$ 41,727 thousands).

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9 Financing Contracts (continued)

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

Financing contracts	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financing contracts (gross)	1,513,560	281,055	117,660	1,912,275
Expected credit loss	(7,595)	(17,473)	(41,584)	(66,652)
Financing contracts (net)	**1,505,965**	**263,582**	**76,076**	**1,845,623**

Impairment allowances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2023	4,788	18,310	41,180	64,278
Net movement between stages	2,239	(340)	(1,899)	-
Net charge for the period	568	(497)	2,303	2,374
Write-offs	-	-	-	-
At 31 March 2024 (reviewed)	**7,595**	**17,473**	**41,584**	**66,652**

Financing contracts	Stage 1	Stage 2	Stage 3	Total
Financing contracts (gross)	1,295,211	177,377	96,690	1,569,278
Expected credit loss	(10,642)	(16,592)	(35,447)	(62,681)
Financing contracts (net)	1,284,569	160,785	61,243	1,506,597

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	18,049	11,989	34,334	64,372
Net movement between stages	(1,937)	889	1,048	-
Net charge for the period	(5,470)	3,714	65	(1,691)
Write-offs	-	-	-	-
At 31 March 2023 (Reviewed)	10,642	16,592	35,447	62,681

10 INVESTMENT IN REAL ESTATE

	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
Investment Property			
- Land	467,913	483,685	549,896
- Building	145,923	141,471	201,271
	613,836	625,156	751,167
Development Property			
- Land	165,558	165,565	152,703
- Building	352,893	581,211	392,661
	518,451	746,776	545,364
	1,132,287	1,371,932	1,296,531

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11 PROPRIETARY INVESTMENTS

	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
Equity type investments			
At fair value through statement of income			
- Unquoted securities	9,942	2,942	9,480
- Listed securities	12,911	14,252	11,828
	22,853	17,194	21,308
At fair value through OCI			
- Equity type Sukuk	937,724	827,012	833,507
- Unquoted securities	63,073	64,045	57,783
	1,000,797	891,057	891,290
Equity-accounted investees	131,373	136,476	108,317
	1,155,023	1,044,727	1,020,915

12 CO-INVESTMENTS

	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
At fair value through OCI			
- Unquoted securities	253,403	245,442	150,505
At fair value through statement of income			
- Unquoted securities	9,393	9,168	7,342
	262,796	254,610	157,847

13 RECEIVABLES AND OTHER ASSETS

	31 March 2024	31 December 2023	31 March 2023
Investment banking receivables*	305,985	330,038	220,480
Receivable from associate	246,465	93,318	101,841
Financing to projects, net	11,554	12,241	10,765
Receivable on sale of development properties	35,735	16,376	13,125
Advances and deposits	77,310	62,416	106,217
Employee receivables	7,929	7,443	4,530
Profit on sukuk receivable	20,167	17,409	21,461
Lease rentals receivable	3,730	4,025	6,829
VAT Receivables	8,118	7,327	5,512
Receivable from sale of investments	85,161	71,281	-
Prepayments and other receivables	209,273	166,218	187,184
Less: ECL provision	(19,826)	(7,948)	(7,557)
	991,601	780,144	670,387

* Subsequent to the period, the amounts due were significantly settled from subscriptions collected in client money accounts.

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14 TERM FINANCING

	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
Murabaha financing (note 8)	1,832,409	1,880,910	1,663,238
Sukuk **	236,951	241,777	237,429
Ijarah financing	-	-	16,956
Other borrowings	1,629	1,620	1,590
	2,070,989	2,124,307	1,919,213

**Murabaha financing comprise*:

Short-term and medium-term facilities of US$ 1,821,934 thousand (31 December 2023: US$ 1,857,388 thousand) are secured by quoted sukuk of US$ 3,093,356 thousand (31 December 2023: US$ 2,762,506 thousand), structured notes of US$ 414,695 thousand (31 December 2023: US$ 404,839 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$ 3,073 thousand.

15 OTHER LIABILITIES

	31 March 2024	31 December 2023	31 March 2023
Investment banking payables*	105,557	173,297	138,903
Accounts Payables	53,318	48,724	83,916
Unclaimed dividends	63,160	2,312	60,887
Payables to equity-accounted investees	54,938	107,466	20,388
Other accrued expenses and payables	44,435	64,659	62,788
Deferred Income	30,295	32,240	18,244
Payables towards purchase of investments	78,957	63,068	1,025
Zakah and Charity Fund	13,264	6,331	8,991
Employee related accruals	17,850	24,459	11,937
Mudaraba profit accrual	11,580	22,814	8,662
Provision for employees' leaving indemnities	1,602	580	399
Advance received from customers	2,242	2,106	11,897
	477,198	548,056	428,037

*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.

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16 QUASI EQUITY

	31 March 2024	31 December 2023	31 March 2023
Financial institutions	2,283,014	2,312,153	64,165
Non-financial institutions and individuals	1,389,255	1,138,853	1,579,682
	3,672,269	3,451,006	1,643,847

	31 March 2024	31 December 2023	31 March 2023
Balances with banks	219,703	50,266	385,284
CBB reserve account	73,639	75,310	74,082
Treasury portfolio	2,406,882	2,202,334	953,236
Financing contracts	855,867	1,006,144	231,245
Proprietary Investments	71,061	71,334	-
Investment in real estate	45,117	45,618	-
	3,672,269	3,451,006	1,643,847

17 IMPAIRMENT ALLOWANCES

	Three months ended	
	31 March 2024 (reviewed)	31 March 2023 (reviewed)
Expected credit loss on:		
Bank balances	(3)	(2)
Treasury portfolio (note 8)	(978)	4,019
Financing contracts, net (note 9)	2,374	(1,691)
Other receivables (note 13)	11,878	(1,758)
Commitments and financial guarantees	(19)	-
Impairment on proprietary investments	534	68
	13,786	636

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18 EARNING PER SHARE

The calculation of basic earnings 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.

	Three months ended	
	31 March 2024 (reviewed)	31 March 2023 (reviewed)
Profit attributable to shareholders of the Bank	27,135	24,007
Weighted Average number of shares outstanding during the period	3,517,935	3,330,002
Earnings per share		
Basic and diluted earnings per share (US cents)	**0.77**	0.72

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19 RELATED PARTY TRANSACTIONS

The significant related party balances and transactions as at 31 March 2024 are given below:

	Related parties as per FAS 1				
31 March 2024 (reviewed)	**Associates and joint venture**	**Key management personnel**	**Significant shareholders / entities in which directors are interested**	**Assets under management (including special purpose and other entities)**	**Total**
Assets					
Treasury portfolio	-	-	-	74,612	74,612
Financing contracts	-	10,952	227,290	17,105	255,347
Proprietary investments	937,724	-	6,058	9,024	952,806
Co-investments	-	-	-	262,796	262,796
Receivables and other assets	246,465	7,107	1,316	305,985	560,873
Liabilities					
Placements from financial, non-financial institutions and individuals	-	5,602	-	-	5,602
Current accounts	4,406	77	57,159	19,091	80,733
Payables and accruals	54,938	7,420	-	117,813	180,171
Quasi equity	10,756	4,507	26,341	12,907	54,511
Income					
Investment banking	363	-	-	46,593	46,956
Commercial banking					
- *Income from financing*	-	151	1,393	-	1,544
- *Less: Finance expense*	-	(40)	(1,812)	-	(1,852)
Treasury and proprietary investments	33,561	-	3,042	18,107	54,710
Less: Quasi equity	(29)	(56)	(12,833)	(5)	(12,923)
Expenses					
Operating expenses	-	(156)	-	-	(156)
Staff Cost	-	(1,217)	(280)		(1,497)
Finance Cost	(12)	-	-	(1,782)	(1,794)

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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
31 December 2023 (audited)	Associates and joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
Assets					
Treasury portfolio	-	-	-	70,546	70,546
Financing contracts	-	11,202	85,055	19,489	115,746
Proprietary investments	827,161	-	7,686	13,667	848,514
Co-investments	-	-	-	254,610	254,610
Receivables and prepayments	93,318	6,731	1,507	330,038	431,594
Liabilities					
Placements from financial, non-financial institutions and individuals	-	5,602	8,622	-	14,224
Current accounts	2,971	16	29,233	19,122	51,342
Payables and accruals	107,466	7,196	-	198,943	313,605
Quasi equity	2,485	5,027	44,145	14,422	66,079
31 March 2023 (reviewed)					
Income					
Investment banking	-	-	-	45,876	45,876
Commercial banking					
- *Income from financing*	-	159	133	-	292
- *Fee and other income*	-	-	-	-	-
- *Less: Return to quasi equity*	(11)	(56)	(4,334)	(5)	(4,406)
- *Less: Finance expense*	-	(53)	(3,876)	-	(3,929)
Treasury and proprietary investments	6,822	-	-	572	7,394
Real Estate Income	-	-	-	-	-
Expenses					
Operating expenses	-	(684)	-	(13)	(697)
Staff Cost	-	(2,681)	-	-	(2,681)
Finance Cost	-	-	-	(489)	(489)

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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
31 March 2024 (reviewed)				
Segment revenue	46,158	34,218	82,597	**162,973**
Segment expenses	(33,246)	(24,150)	(61,448)	**(118,844)**
Impairment allowance	-	(2,092)	(11,694)	**(13,786)**
Segment result	12,912	7,976	9,455	**30,343**
Segment assets	261,748	3,789,780	6,506,645	**10,558,173**
Segment liabilities	112,932	2,204,180	3,484,144	**5,801,256**
Quasi equity	-	1,268,045	2,404,224	**3,672,269**
Other segment information				
Proprietary investments *(Equity-accounted investees)*	-	8,654	122,719	**131,373**
Commitments	17,778	104,114	27,831	**149,723**

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20 Segment reporting (continued)

	Investment banking	Commercial banking	Proprietary and treasury	Total
31 March 2023 (reviewed)				
Segment revenue	45,087	25,478	34,490	105,055
Segment expenses	(33,513)	(15,379)	(31,089)	(79,981)
Impairment allowance	-	(1,451)	815	(636)
Segment result	11,574	8,648	4,216	24,438
31 Dec 2023 (audited)				
Segment assets	278,056	3,985,192	6,858,231	11,121,479
Segment liabilities	208,859	2,146,851	4,240,401	6,596,111
Quasi equity	-	1,420,854	2,030,152	3,451,006
Other segment information				
Proprietary investments *(Equity-accounted investees)*	-	8,656	127,820	136,476
Commitments	49,147	154,550	-	203,697

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21 COMMITMENTS AND CONTINGENCIES

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

	31 March 2024 (reviewed)	31 December 2023 (audited)	31 March 2023 (reviewed)
Undrawn commitments to extend finance	84,576	113,873	87,085
Financial guarantees	19,539	40,677	43,809
Capital commitment for infrastructure development projects	45,608	49,147	55,485
	149,723	203,697	186,379

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 31 March 2024 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.

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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 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 notes	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.

	31 March 2024 (reviewed)		31 March 2023 (reviewed)	
	Statement of Income	**FVOCI**	Statement of Income	FVOCI
Equity instruments- marketability factor (±10%)	± 939	±31,808	± 734	± 18,745
Structure notes- impact in underlying value (±5%)	± 20,735	-	± 20,361	-
Proprietary Investments- impact of change in value (±5%)	± 1,143	-	± 1,065	-
Quoted Fund- impact in underlying value (±5%)	± 1,317	-	± 1,250	-

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22 FINANCIAL INSTRUMENTS (continued)

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

31 March 2024 (reviewed)	**Level 1**	**Level 2**	**Level 3**	**Total**
i) Proprietary investments				
Investment securities carried at fair value through:				
- *statement of income*	22,853	-	-	22,853
- OCI	-	937,724	63,073	1,000,797
	22,853	**937,724**	**63,073**	**1,023,650**
ii) Treasury portfolio				
Investment securities carried at fair value through:				
- *statement of income*	-	444,297	-	444,297
- OCI	885,043	-	-	885,043
	885,043	**444,297**	**-**	**1,329,340**
iii) Co-investments				
Investment securities carried at fair value through				
- OCI	-	-	253,403	253,403
- *statement of income*	-	-	9,393	9,393
	-	**-**	**262,796**	**262,796**
	907,896	**1,382,021**	**325,869**	**2,615,786**

31 December 2023 (audited)	Level 1	Level 2	Level 3	Total
(i) Proprietary investments				
Investment securities carried at fair value through:				
- *statement of income*	17,194	-	-	17,194
- OCI	-	827,012	64,045	891,057
	17,194	827,012	64,045	908,251
(ii) Treasury portfolio				
Investment securities carried at fair value through:				
- *statement of income*	-	434,133	-	434,133
- OCI	817,626	-	-	817,626
	817,626	434,133	-	1,251,759
iii) *Co-investments*				
Investment securities carried at fair value through OCI	-	-	245,442	245,442
Investment securities carried at fair value through *statement of income*	-	-	9,168	9,168
	-	-	254,610	254,610
	828,593	1,261,145	318,655	2,408,393

for the three months ended 31 March 2024 US$ 000's

22 FINANCIAL INSTRUMENTS (continued)

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

	31 March 2024 (reviewed)	31 December 2023 (audited)
At beginning of the period	318,655	197,944
Disposals at carrying value	(3,293)	(5,288)
Purchases / reclassification from receivables and other assets	10,281	127,134
Fair value changes during the period	226	(1,135)
At end of the period	**325,869**	318,655

23 BUSSINESS COMBINATION:

During the period, the Board of Ithmaar Holding B.S.C. and the Bank have agreed to an overall framework of terms regarding purchase of certain assets and liabilities of Ithmaar's corporate banking business in Bahrain and certain investment assets (the "Transaction"). The Transaction is subject to the signing of definitive agreements, shareholders' approval, and related regulatory approvals. The timing and final values of transfer of assets and liabilities forming part of the transaction and the consideration are under consideration at the date of approval of these financial statements and are yet to be finalized.

24 DECONSOLIDATION OF SUBSIDIARIES

During the period, as part of its initiatives for sale of real estate exposures, the Group transferred certain real estate project subsidiaries which included non-controlling interests (NCI). The Group recognised gains of US$ 25,584 thousand on sale of the real estate assets and derecognised NCI amounting to US$ 33,766 thousand on loss of control over its subsidiaries. The retained stake have been recognised in accordance with the classification of the retained assets.