GFH FINANCIAL GROUP BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 MARCH 2021

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29th Floor Building 1398, East Tower Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Jassim Al Seddiqi, *Chairman* H.E. Shaikh Ahmed Bin Khalifa Al-Khalifa, *Vice Charirman (resigned wef 25 Feb 2021)* Hisham Ahmed Alrayes Rashid Nasser Al Kaabi Ghazi Faisal Ebrahim Alhajeri Ali Murad Ahmed Abdulhamid AlAhmadi Alia Al Falasi Fawaz Talal Al Tamimi Edris Mohammed Rafi Alrafi
Chief Executive Officer	:	Hisham Ahmed Alrayes
Auditors	:	KPMG Fakhro

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

The Board of Directors
GFH Financial Group BSC
Manama
Kingdom of Bahrain

11 May 2021

Introduction
We have reviewed the accompanying 31 March 2021 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 2021;
- the condensed consolidated income statement for the three-month period ended 31 March 2021;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021;
- the condensed consolidated statement of changes in restricted investment accounts for the three-month period ended 31 March 2021;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the three-month period ended 31 March 2021; 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 the basis of preparation stated in note 2 of the condensed consolidated interim financial information. 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 International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of condensed consolidated 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 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation stated in Note 2 of the condensed consolidated interim financial information.

Other matter
Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from preparation and publication of condensed consolidated interim financial information for the three-month period ended 31 March 2020. We have not reviewed the comparative information for the three-month period ended 31 March 2020 presented in this condensed consolidated interim financial information which has been extracted from management accounts of the Group and, we do not express any review conclusion on them.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

US$ 000's

	note	**31 March 2021 (reviewed)**	31 December 2020 (audited)	31 March 2020 (unreviewed)
ASSETS				
Cash and bank balances		805,917	536,502	380,199
Treasury portfolio	9	2,021,232	1,878,546	1,670,938
Financing assets	10	1,259,791	1,267,266	1,372,183
Investment in real estate	11	1,820,683	1,812,315	1,686,715
Proprietary investments	12	174,474	216,108	301,551
Co-investments	13	120,449	126,319	97,334
Receivables and prepayments		697,301	605,658	522,407
Property and equipment		143,223	144,149	107,020
Total		**7,043,070**	6,586,863	6,138,347
LIABILITIES				
Clients' funds		84,613	130,935	95,373
Placements from financial, non-financial institutions and individuals		2,589,838	2,418,000	2,360,528
Customer current accounts		159,162	140,756	142,017
Term financing	14	1,253,204	1,089,077	754,951
Payables and accruals		420,795	465,038	371,926
Total		**4,507,612**	4,243,806	3,724,795
Equity of investment account holders		**1,341,312**	1,156,993	1,169,464
OWNERS' EQUITY				
Share capital	8	975,638	975,638	975,638
Treasury shares		(65,623)	(63,979)	(90,303)
Statutory reserve	8	19,548	19,548	125,312
Investment fair value reserve		(7,176)	5,593	(4,831)
Foreign currency translation reserve		(42,777)	(46,947)	(35,427)
Retained earnings	8	36,674	22,385	(4,940)
Share grant reserve		1,093	1,093	1,198
Total equity attributable to shareholders of Bank		**917,377**	913,331	966,647
Non-controlling interests		276,769	272,733	277,441
Total owners' equity		**1,194,146**	1,186,064	1,244,088
Total liabilities, equity of investment account holders and owners' equity		**7,043,070**	6,586,863	6,138,347

The Board of Directors approved the condensed consolidated interim financial information on 11 May 2021 and signed on its behalf by:

Jassim Al Seddiqi
Chairman

Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2021 US$ 000's

	Note	Three months ended 31 March 2021 (reviewed)	31 March 2020 (unreviewed)
Investment banking income			
Asset management		805	838
Deal related income		16,785	13,613
		17,590	*14,451*
Commercial banking income			
Income from financing		21,658	22,095
Treasury and investment income		10,814	8,188
Fee and other income		1,556	2,082
Less: Return to investment account holders		(8,289)	(9,358)
Less: Finance expense		(8,566)	(8,002)
		17,173	*15,005*
Income from proprietary and co-investments			
Direct investment income, net		9,852	8,085
Dividend from co-investments		3,690	2,246
		13,542	*10,331*
Real estate income			
Development and sale		3,434	2,820
Rental and operating income		1,144	594
		4,578	*3,414*
Treasury and other income			
Finance income		3,197	7,756
Dividend and net gain on treasury investments		26,453	11,034
Other income, net	17	7,856	7,467
		37,506	*26,257*
Total income		***90,389***	*69,458*
Operating expenses		32,185	26,741
Finance expense		33,665	32,307
Impairment allowances	18	5,200	3,628
Total expenses		***71,050***	*62,676*
Profit for the period		**19,339**	6,782
Attributable to:			
Shareholders of the Bank		16,122	5,082
Non-controlling interests		3,217	1,700
		19,339	6,782
Earnings per share			
Basic and diluted earnings per share (US cents)		**0.53**	0.15

The Board of Directors approved the condensed consolidated interim financial information on 11 May 2021 and signed on its behalf by:

Jassim Al Seddiqi
Chairman

Hisham Alrayes
Chief Executive Officer & Board member

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2021 US$ 000's

	Attributable to shareholders of the Bank									
31 March 2021 (reviewed)	**Share capital**	**Treasury shares**	**Statutory reserve**	**Investment fair value reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Share grant reserve**	**Total**	**Non – controlling interests**	**Total owners' equity**
Balance at 1 January 2021 (as previously reported)	975,638	(63,979)	19,548	5,593	(46,947)	22,385	1,093	913,331	272,733	1,186,064
Effect of adoption of FAS 32 (note 3)	-	-	-	-	-	(2,096)	-	(2,096)	-	(2,096)
Balance at 1 January 2021 (restated)	975,638	(63,979)	19,548	5,593	(46,947)	20,289	1,093	911,235	272,733	1,183,968
Profit for the period	-		-	-	-	16,122	-	16,122	3,217	19,339
Fair value changes during the period	-		-	(4,479)	-	-	-	(4,479)	358	(4,121)
Transfer to income statement on disposal of sukuk	-		-	(8,290)	-	-	-	(8,290)	-	(8,290)
Total recognised income and expense	**-**		**-**	**(12,769)**	**-**	**16,122**	**-**	**3,353**	**3,575**	**6,928**
Transfer to zakah and charity fund (subsidiaries)	-		-	-	-	(338)	-	(338)	(272)	(610)
Purchase of treasury shares	-	(23,824)	-	-	-	-	-	(23,824)	-	(23,824)
Sale of treasury shares	-	22,180	-	-	-	601	-	22,781	-	22,781
Foreign currency translation differences	-	-	-	-	4,170	-	-	4,170	733	4,903
Balance at 31 March 2021	**975,638**	**(65,623)**	**19,548**	**(7,176)**	**(42,777)**	**36,674**	**1,093**	**917,377**	**276,769**	**1,194,146**

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2021 *(continued)* US$ 000's

	Attributable to shareholders of the Bank									
31 March 2020 (unreviewed)	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve	Foreign currency translation reserve	Retained earnings	Share grant reserve	Total	Non – controlling interests	Total owners' equity
Balance at 1 January 2020	975,638	(73,419)	125,312	(4,831)	(29,425)	10,070	1,198	1,004,543	288,328	1,292,871
Profit for the period	-	-	-	-	-	5,082	-	5,082	1,700	6,782
Total recognised income and expense	-	-	-	-	-	5,082	-	5,082	1,700	6,782
Modification loss on financing assets (note 2)	-	-	-	-	-	(14,016)	-	(14,016)	(11,279)	(25,295)
Transfer to zakah and charity fund	-	-	-	-	-	(320)	-	(320)	(258)	(578)
Issue of shares under incentive scheme	-	(25,052)	-	-	-	-	-	(25,052)	-	(25,052)
Purchase of treasury shares	-	(25,397)	-	-	-	-	-	(25,397)	-	(25,397)
Sale of treasury shares	-	33,565	-	-	-	(5,756)	-	27,809	-	27,809
Foreign currency translation differences	-	-	-	-	(6,002)	-	-	(6,002)	(1,050)	(7,052)
Balance at 31 March 2020	975,638	(90,303)	125,312	(4,831)	(35,427)	(4,940)	1,198	966,647	277,441	1,244,088

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2021 US$ 000's

	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
OPERATING ACTIVITIES		
Profit for the period	19,339	6,782
Adjustments for:		
Income from commercial banking	(10,648)	(8,188)
Income from proprietary investments	(13,542)	(7,931)
Income from dividend and gain / (loss) on treasury investments	(22,084)	(13,209)
Foreign exchange (gain) / loss	(925)	372
Finance expense	42,230	32,307
Impairment allowances	5,200	3,628
Depreciation and amortisation	1,147	654
	20,717	14,415
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	(97,237)	145,458
Financing assets	7,475	(99,406)
Other assets	(44,701)	(16,806)
CBB Reserve and restricted bank balance	(21,766)	35,587
Clients' funds	(46,322)	24,515
Placements from financial and non-financial institutions	171,838	(86,721)
Customer current accounts	18,407	(5,470)
Equity of investment account holders	184,319	(49,081)
Payables and accruals	(44,242)	(94,926)
Net cash from/(used in) operating activities	**148,488**	(132,435)
INVESTING ACTIVITIES		
Payments for purchase of equipment	(195)	(118)
Proceeds from sale of proprietary investment securities, net	27,253	3,681
Purchase of treasury portfolio, net	(142,151)	(124,992)
Proceeds from sale of investment in real estate	200	171
Dividends received from proprietary investments and co-investments	3,758	2,288
Advance paid for development of real estate	(15,681)	(2,551)
Net cash used in investing activities	**(126,816)**	(121,521)
FINANCING ACTIVITIES		
Financing liabilities, net	164,128	352,033
Finance expense paid	(41,446)	(54,721)
Dividends paid	(73)	(122)
Purchase of treasury shares, net	-	(16,884)
Net cash from financing activities	**122,609**	280,306
Net increase in cash and cash equivalents during the period	144,281	26,350
Cash and cash equivalents at 1 January	655,455	367,533
Cash and cash equivalents at 31 March *	**799,736**	393,883
Cash and cash equivalents comprise:		
Cash and balances with banks (excluding CBB Reserve balance and restricted cash)	738,916	331,692
Placements with financial institutions (original maturities of 3 months or less)	60,820	62,191
	799,736	393,883

** net of expected credit loss of US$ 55 thousand (31 March 2020: US$ 8 thousand).*

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2021

31 March 2021 (reviewed)	**Balance at 1 January 2021**			**Movements during the period**						**Balance at 31 March 2021**		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revaluation US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Group's fees as an agent US$ 000's	Administration expenses US$ 000's	No of units (000)	Average value per share US$	Total US$ 000's
Mena Real Estate Company KSCC	150	0.33	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	12	7.91	95	(2)	-	-	-	-	-	12	7.91	95
Safana Investment (RIA 1)	6,254	2.65	16,573	-	-	-	-	-	-	6,254	2.65	16,573
Shaden Real Estate Investment WLL (RIA 5)	3,434	2.65	9,100	-	-	-	-	-	-	3,434	2.65	9,100
Locata Corporation Pty Ltd (RIA 6)	2,633	1	2,633	-	-	-	-	-	-	2,633	1	2,633
			28,451	**-**	**-**	**-**	**-**	**-**	**-**			**28,451**

31 March 2020 (unreviewed)	Balance at 1 January 2020			Movements during the period						Balance at 31 March 2020		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revaluation US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Group's fees as an agent US$ 000's	Administration expenses US$ 000's	No of units (000)	Average value per share US$	Total US$ 000's
Mena Real Estate Company KSCC	150	0.33	50	-	-	-	-	-	-	150	0.33	50
Al Basha'er Fund	13	7.91	103	(5)	-	-	-	-	-	13	7.91	103
Safana Investment (RIA 1)	6,254	2.65	16,573	-	-	-	-	-	-	6,254	2.65	16,573
Shaden Real Estate Investment WLL (RIA 5)	3,434	2.65	9,100	-	-	-	-	-	-	3,434	2.65	9,100
Locata Corporation Pty Ltd (RIA 6)	2,633	1	2,633	-	-	-	-	-	-	2,633	1	2,633
			28,459	(5)	-	-	-	-	-			28,459

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND
for the three months ended 31 March 2021 US$ 000's

	31 March 2021 (reviewed)	31 March 2020 (unreviewed)
Sources of zakah and charity fund		
Contribution by the Group	610	578
Non-Islamic income	9	98
Total sources	**619**	676
Uses of zakah and charity fund		
Contributions to charitable organisations	(653)	(54)
Total uses	**(653)**	(54)
Surplus of sources over uses	**(34)**	622
Undistributed zakah and charity fund at beginning of the period	5,343	5,407
Undistributed zakah and charity fund at end of the period	**5,309**	6,029
Represented by:		
Zakah payable	1,521	962
Charity fund	3,788	5,067
	5,309	6,029

The accompanying notes 1 to 21 form an integral part of the condensed consolidated interim financial information.

for the three months ended 31 March 2021 US$ 000's

1 Reporting entity

The condensed consolidated interim financial information for the three months ended 31 March 2021 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 2021	Activities
GFH Capital Limited	United Arab Emirates	100%	Investment management
Khaleeji Commercial Bank BSC ('KHCB')	Kingdom of Bahrain	55.41%	Islamic retail bank
Al Areen Project companies		100%	Real estate development
Falcon Cement Company BSC (c) ('FCC')		51.72%	Cement manufacturing
GBCORP BSC (c) (GBCORP)		50.41%	Islamic investment firm
Residential South Real Estate Development Company (RSRED)		100%	Real estate development
Athena Private School for Special Education WLL		100%	Educational institution
Morocco Gateway Investment Company ('MGIC')	Cayman Islands	90.27%	Real estate development
Tunis Bay Investment Company ('TBIC')		82.97%	Real estate development
Energy City Navi Mumbai Investment Company & Mumbai IT & Telecom Technology Investment Company (together "India Projects")		80.27%	Real estate development
Gulf Holding Company KSCC	State of Kuwait	51.18%	Investment in real estate
Roebuck A M LLP	United Kingdom	60%	Property asset management Company

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 applicable rules and regulations issued by the Central Bank of Bahrain ("CBB"). These rules and regulations require the adoption of all Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI), except for:

2 Basis of preparation (continued)

i. recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profits, in equity instead of profit or loss as required by FAS. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of applicable FAS.;

ii. recognition of financial assistance received from the government and/ or regulators as part of its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss as required by the statement on "Accounting implications of the impact of COVID-19 pandemic" issued by AAOIFI to the extent of any modification loss recognised in equity as a result of (a) above. In case this exceeds the modification loss amount, the balance amount is recognized in the profit or loss account. Any other financial assistance is recognised in accordance with the requirements of FAS; and

iii. recognition of specific impairment allowances and expected credit losses in line with the specific CBB guidelines for application of staging rules issued as part of its COVID-19 response measures.

The above framework for basis of preparation of the condensed consolidated interim financial information is hereinafter referred to as 'Financial Accounting Standards as modified by CBB'. The modification to accounting policies have been applied retrospectively.

Modification loss
During the quarter ended 31 March 2020, based on a regulatory directive issued by the CBB as concessionary measures to mitigate the impact of COVID-19, the one-off modification loss amounting to US$ 25,295 thousand arising from the six month payment holiday provided to financing customers without charging additional profits was recognised directly in equity.

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered by AAOIFI standards, the group takes guidance from the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting', using 'Financial Accounting Standards as modified by CBB'.

These condensed consolidated interim financial information are reviewed and not audited. The condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the Group's last audited consolidated financial statements for the year ended 31 December 2020. 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 audited consolidated financial statements as at and for the year ended 31 December 2020.

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their condensed consolidated interim financial information for the three-month period ended 31 March 2020. Accordingly, the comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2020 and comparatives for the condensed consolidated income statement, cash flows, changes in equity, changes in restricted investment accounts and sources and uses of zakah and charity fund have been extracted from the management accounts of the Group for the three month period ended 31 March 2020 and adjusted for accounting policy changes, if any, applied in preparation of the annual consolidated financial statements for the year ended 31 December 2020. Hence, the comparative information included in the current period financial position, income statement, cash flows, changes in equity, changes in restricted investment accounts and sources and uses of zakah and charity fund were not reviewed.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed cfaonsolidated 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 2020, except those arising from adoption of the following standards and amendments to standards effective from 1 January 2021. The impact of adoption of these standards and amendments is set out below.

a. Adoption of new standards during the period

i. FAS 32 - Ijarah

AAOIFI issued FAS 32 "Ijarah" in 2020, this standard is effective for financial periods beginning on or after 1 January 2021. The standard supersedes the existing FAS 8 "Ijarah and Ijarah Muntahia Bittamleek"

FAS 32 sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic financial institutions as a lessor and lessee.

The Group has applied FAS 32 "Ijarah" from 1 January 2021. The impact of adoption of this standard is disclosed in (b) below.

(a) Change in accounting policy

Identifying an Ijarah

At inception of a contract, the Bank assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration.

Measurement

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Bank allocates the consideration in the contract to each Ijarah component on the basis of relative stand-alone price of the Ijarah component and the aggregate estimated stand-alone price of the non-Ijarah components, that may be charged by the lessor, or a similar supplier, to the lessee.

At the commencement date, a lessee shall recognise a right-of-use (usufruct) asset and a net ijarah liability.

i) Right-of-use (usufruct) asset

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- The prime cost of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah), the prime cost at commencement date may be estimated based on the fair value of the total consideration paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

3 Significant accounting policies (continued)

The Bank amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

The Bank determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:
- Extension periods if it is reasonably certain that the Bank will exercise that option; and/ or
- Termination options if it is reasonably certain that the Bank will not exercise that option.

The Bank carries out impairment assessment in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments" to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

ii) Net ijarah liability

The net ijarah liability comprises of the gross Ijarah liability, plus deferred Ijarah cost (shown as a contra-liability).

The gross Ijarah liability shall be initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprise of the following payments for the right to use the underlying asset during the Ijarah term:
- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

Advance rentals paid are netted-off with the gross Ijarah liability.

Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintanence. As of 31 March 2021, the Bank did not have any contracts with variable or supplementary rentals.

After the commencement date, the Bank measures the net Ijarah liability by:
- Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or to reflect revised Ijarah rentals.
- The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method. After the commencement date, the Bank recognises the following in the income statement:
- Amortisation of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur

Ijarah contract modifications

After the commencement date, the Bank accounts for Ijarah contract modifications as follows:
- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: re-calculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of- use asset.

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3 *Significant accounting policies (continued)*

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset. For modifications not meeting any of the conditions stated above, the Bank considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Bank recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

Expenses relating to underlying asset
Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Bank, are recognised by the Bank in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

Recognition exemptions and simplified accounting for the lessee
A lessee may elect not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and lease liability for the following:

- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Short-term Ijarah exemption can be applied on a whole class of underlying assets if they have similar characteristics and operational utility. However, low-value Ijarah exemption can only be applied on an individual asset/ Ijarah transaction, and not on group/ combination basis.

Impact as lessor on accounting for Ijara Muntahia Bittamleek contracts
There was no change in the accounting policies for Ijarah Muntahia Bittamleek portfolio upon adoption of this standard.

(b) Impact on adoption of FAS 32
The impact of adoption of FAS 32 as at 1 January 2021 has resulted in an increase in right-of-use asset and an increase in lease liability as stated below. The lease contracts comprise office premises, school premises, leasehold lands, ATM sites, branches etc.

	Total Assets	**Total Liabilities and EIAH**	**Total Equity**
Closing balance (31 December 2020)	6,586,863	5,400,799	1,186,064
Impact on adoption:			
Right-of-use asset	58,949	-	-
Lease liability	-	61,045	-
Opening impact of FAS 32	-	-	(2,096)
Balance on date of initial application of 1 January 2021	6,645,812	5,461,844	1,183,968

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

(i) FAS 38 Wa'ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 Wa'ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to shariah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022.

3 Significant accounting policies (continued)

This standard classifies Wa'ad and Khiyar arrangements into two categories as follows:

a) "ancillary Wa'ad or Khiyar" which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and
b) "product Wa'ad and Khiyar" which is used as a stand-alone Shariah compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products.

The Group is currently evaluating the impact of adopting 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 2020. However, the process of making the required estimates and assumptions involved further challenges due to the prevailing uncertainties arising from COVID-19 and required use of management judgements.

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 2020.

Regulatory ratios

a. Net stable funding Ratio (NSFR)

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 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.

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, as of 31 March 2021 and 31 December 2020 is as follows:

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	1,028,633	-	-	59,884	1,088,517
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	795,510	484,387	189,296	1,341,203
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other Wholesale funding	-	2,229,507	940,625	759,322	1,724,180
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	90,097	13,108	132,086	132,086
13	Total ASF	-	-	-	-	4,285,986
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	50,932
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:	-	-	-	-	-
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	-	624,279	-	-	93,642
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:	-	139,288	111,138	985,796	963,140

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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
20	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	35,931	23,355
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	-	737,288	198,714	224,961	667,524
24	Other assets:	-	-	-	-	-
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	2,616,643	-	-	-	2,616,643
30	OBS items		-	-	-	17,401
31	Total RSF	-	1,500,855	309,852	1,246,688	4,432,637
32	NSFR (%)	-	-	-	-	97%

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):						
Capital:						
1	Regulatory Capital	1,009,571	-	-	85,635	1,095,206
2	Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:						
3	Stable deposits	-	-	-	-	-
4	Less stable deposits	-	793,480	306,688	231,458	1,221,609
Wholesale funding:						
5	Operational deposits	-	-	-	-	-
6	Other Wholesale funding	-	2,042,390	485,665	1,016,610	1,845,431
Other liabilities:						
7	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
8	All other liabilities not included in the above categories	-	81,718	29,287	182,725	182,725
9	Total ASF	-	-	-	-	4,344,971
Required Stable Funding (RSF):						
10	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	50,531
11	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
12	Performing financing and sukuk/ securities:	-	453,447	20,628	906,357	838,420

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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
13	Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
14	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	127,045	-	214,171	245,568
15	Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	147,516	101,279	-	124,398
16	With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	22,064	14,342
17	Performing residential mortgages, of which:	-	-	-	-	-
18	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
19	Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	260,664	19,500	395,881	535,963
20	Other assets:	-	-	-	-	-
21	Physical traded commodities, including gold	-				-
22	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
23	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
24	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
25	All other assets not included in the above categories	2,652,216	-	-	-	2,652,216
26	OBS items	-	-	-	-	13,743
27	Total RSF	-	988,673	141,407	1,538,473	4,475,181
28	NSFR (%)	-	-	-	-	97%

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5 *Financial risk management (continued)*

b. Liquidity Coverage Ratio (LCR)

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high-quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30-calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days.

	Average balance	
	31 March 2021	31 December 2020
Stock of HQLA	256,136	244,049
Net cashflows	120,716	103,188
LCR %	215%	240%
Minimum required by CBB	80%	80%

c. Capital Adequacy Ratio

	31 March 2021	31 December 2020
CET 1 Capital before regulatory adjustments	1,028,633	1,025,835
Less: regulatory adjustments	-	-
CET 1 Capital after regulatory adjustments	1,028,633	1,025,835
T 2 Capital adjustments	59,884	76,062
Regulatory Capital	1,088,517	1,115,945
Risk weighted exposure:		
Credit Risk Weighted Assets	7,608,664	7,647,064
Market Risk Weighted Assets	55,250	72,038
Operational Risk Weighted Assets	552,821	552,821
Total Regulatory Risk Weighted Assets	8,216,735	8,271,923
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	8,216,731	8,271,918
Capital Adequacy Ratio (CAR)	**13.25%**	**13.49%**
Tier 1 Capital Adequacy Ratio	**12.52%**	**12.57%**
Minimum CAR required by CBB	12.50%	12.50%

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6 Seasonality

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

7 Comparatives

The comparative figures have been regrouped in order to conform with the presentation for current year. Such regrouping did not affect previously reported profit for the period or total equity. FAS 32 was adopted prospectively effective 1 January 2021 and comparative figures have not been restated.

8 Appropriations

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

In the shareholders meeting held on 6 April 2021, the following were approved:

a) Cash dividend of 1.86% of the paid-up share capital amounting to US$ 17 million;

b) Stock dividend of 2.56% of the paid-up share capital amounting to US$ 25 million;

c) Appropriation of US$ 1,104 thousand towards charity, civil society institutions and Zakat for the year 2020;

d) Transfer of US$ 4,509,500 to statutory reserve; and

e) The reduction of the capital by cancelling treasury shares amounting up to a maximum of 141,335,000 shares worth up to US$37,453,775 as a result of cancelling the market maker agreement, subject to the approval of the competent regulatory authorities.

The above transactions will be affected in the condensed consolidated interim financial information for the six month period ended 30 June 2021.

9 Treasury portfolio

	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2020 (unreviewed)
Placements with financial institutions	165,034	169,998	374,026
Equity type investments			
At fair value through income statement			
- Structured notes	370,830	368,431	340,318
Debt type investments			
At fair value through equity			
- Quoted sukuk	774,742	648,991	344,283
At amortised cost			
- Quoted sukuk *	714,013	693,737	613,551
- Unquoted sukuk	3,493	3,493	3,493
Less: Impairment allowances	(6,880)	(6,104)	(4,733)
	2,021,232	1,878,546	1,670,938

* Includes quoted sukuk of US$ 302,440 thousand (31 December 2020: US$ 302,260 thousand) pledged against term-financing of US$ 200,085 thousand (31 December 2020: US$ 200,204 thousand).

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10 Financing assets

	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2020 (unreviewed)
Murabaha	955,882	969,152	1,071,578
Musharaka	277	276	277
Wakala	239	239	13,280
Mudharaba	2,650	2,690	2,776
Istisnaa	4,047	3,565	5,946
Assets held-for-leasing	356,535	345,342	391,587
	1,319,630	1,321,264	1,485,444
Less: Impairment allowances	(59,839)	(53,998)	(113,261)
	1,259,791	1,267,266	1,372,183

Murabaha financing receivables are net of deferred profits of US$ 44,979 thousand (31 December 2020: US$ 50,032 thousand).

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

Financing assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financing assets (gross)	995,020	192,125	132,485	1,319,630
Expected credit loss	16,484	8,345	35,010	59,839
Financing assets (net)	**978,536**	**183,780**	**97,475**	**1,259,791**

Impairment allowances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2021	21,173	6,255	28,926	56,354
Net movement between stages	(79)	674	(595)	-
Net charge for the period	(4,610)	1,416	6,679	3,485
At 31 March 2021	**16,484**	**8,345**	**35,010**	**59,839**

Financing assets 31 December 2020 (audited)	Stage 1	Stage 2	Stage 3	Total
Financing assets (gross)	1,025,534	149,350	146,380	1,321,264
Expected credit loss	21,389	5,130	27,479	53,998
Financing assets (net)	1,004,145	144,220	118,901	1,267,266

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	12,149	7,241	88,319	107,709
Net movement between stages	228	(4,512)	4,285	1
Net charge for the period	9,298	2,401	(2,542)	9,157
Write-offs	-	-	(29,204)	(29,204)
Disposal	(286)	-	(33,379)	(33,665)
At 31 December 2020	21,389	5,130	27,479	53,998

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11 Investment in real estate

	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2020 (unreviewed)
Investment Property			
- Land	481,315	481,315	384,915
- Building	63,757	63,757	45,190
	545,072	545,072	430,105
Development Property			
- Land	767,640	761,032	780,253
- Building	507,971	506,211	476,357
	1,275,611	1,267,243	1,256,610
	1,820,683	1,812,315	1,686,715

12 Proprietary investments

	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2020 (unreviewed)
Equity type investments			
At fair value through income statement			
- Unlisted fund	10,000	10,000	-
	10,000	10,000	-
At fair value through equity			
- Listed securities	13	19,060	15,308
- Unquoted securities	87,484	108,998	165,166
	87,497	128,058	180,474
Equity-accounted investees	76,977	78,050	121,077
	174,474	216,108	301,551

13 Co-investments

	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2020 (unreviewed)
At fair value through equity			
- Unquoted securities	115,189	126,319	97,334
At fair value through income statement			
- Unquoted securities	5,260	-	-
	120,449	126,319	97,334

14 Term financing

	31 March 2021 (reviewed)	31 December 2020 (audited)	31 March 2020 (unreviewed)
Murabaha financing	880,104	748,265	399,751
Sukuk	322,271	289,818	303,938
Ijarah financing	21,867	22,303	23,939
Other borrowings	28,962	28,691	27,323
	1,253,204	1,089,077	754,951

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15 Impairment allowances

	Three months ended	
	31 March 2021 (reviewed)	31 March 2020 (ureviewed)
Expected credit loss on:		
Bank balances	7	3
Treasury portfolio	1,215	102
Financing assets, net (note 10)	3,485	3,523
Other receivables	6	-
Commitments and financial guarantees	19	-
	4,732	3,628
Impairment on investment in equity securities	468	-
	5,200	3,628

16 Government assistance and subsidies

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times.

For further details of cumulative government grants and subsidies received in 2020, please also refer the 2020 annual audited consolidated financial statements.

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17 Related party transactions

The significant related party balances and transactions as at 31 March 2021 are given below:

	Related parties as per FAS 1			Assets under management (including special purpose and other entities)	
31 March 2021 (reviewed)	**Associates and joint venture**	**Key management personnel**	**Significant shareholders / entities in which directors are interested**		**Total**
Assets					
Treasury portfolio	-	-	35,000	-	35,000
Financing assets	-	9,523	28,994	21,017	59,534
Proprietary investments	113,045	-	25,267	142,093	280,406
Co-investments	-	-	-	109,402	109,402
Receivables and prepayments	5,455	-	31,063	161,425	197,943
Liabilities					
Placements from financial, non-financial institutions and individuals	-	6,655	-	-	6,655
Customer accounts	324	271	54,300	4,675	59,570
Payables and accruals	-	627	4,014	38,174	42,815
Equity of investment account holders	1,106	1,395	77,049	820	80,370
Income					
Income from Investment banking	-	-	-	17,590	17,590
Income from commercial banking					
- *Income from financing*	-	212	1,106	-	1,318
- *Fee and other income*	(1,170)	-	5	-	(1,165)
- *Less: Return to investment account holders*	(19)	-	(2,560)	-	(2,589)
- *Less: Finance expense*	-	(122)	(772)	-	(894)
Income from proprietary and co-investments	(37)	-	8,017	5,310	13,290
Treasury and other income	-	-	656	316	972
Expenses					
Operating expenses	-	7,825	-	24	7,849
Transactions during the period					
Sale of proprietary investment	-	-	27,063	62,002	89,065

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17 Related party transactions (continued)

	Related parties as per FAS 1				
31 December 2020 (audited)	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	-	-	35,000	-	35,000
Financing assets	-	9,485	17,695	29,848	57,028
Proprietary investments	114,250	-	16,058	49,170	179,478
Co-investments	-	-	-	70,715	70,715
Receivables and prepayments	4,622	-	-	132,616	137,238
Liabilities					
Placements from financial, non-financial institutions and individuals	-	5,584	112,567	-	118,151
Customer accounts	358	225	17,995	3,212	21,790
Payables and accruals	-	500	2,732	74,242	77,474
Equity of investment account holders	1,095	639	99,580	865	102,179
31 March 2020 (unreviewed)					
Income					
Income from Investment banking	-	-	-	13,613	13,613
Income from commercial banking					
- Income from financing	-	212	1,106	-	1,318
- Fee and other income	-	-	5	-	5
- Less: Return to investment account holders	(19)	-	(2,560)	(11)	(2,589)
- Less: Finance expense	-	(122)	(772)	-	(894)
Income from proprietary and co-investments	(839)	-	-	2,246	1,407
Treasury and other income	-	-	-	316	316
Expenses					
Operating expenses	-	7,562	385	16	7,963

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18 Segment reporting

The Group is organised into business units based on their nature of operations and independent reporting entities and has four reportable operating segments namely real estate development, investment banking, commercial banking and corporate and treasury.

	Real estate development	Investment banking	Commercial banking	Corporate and treasury	Total
31 March 2021 (reviewed)					
Segment revenue	4,578	17,590	17,172	51,049	90,388
Segment expenses	(5,848)	(18,267)	(11,568)	(35,367)	(71,050)
Segment result	(1,270)	(677)	5,604	15,682	19,339
Segment assets	1,766,898	1,080,716	2,943,164	1,252,292	7,043,070
Segment liabilities	253,181	612,067	1,221,280	2,421,084	4,507,612
Other segment information					
Impairment allowance	-	912	3,506	782	5,200
Proprietary investments *(Equity-accounted investees)*	5,702	18,295	52,980	-	76,977
Equity of investment account holders	-	-	1,071,630	269,682	1,341,312
Commitments	35,705	-	149,387	-	185,092

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18 Segment reporting (continued)

	Real estate development	Investment banking	Commercial banking	Corporate and treasury	Total
31 March 2020 (unreviewed)					
Segment revenue	3,414	14,451	15,005	36,588	69,458
Segment expenses	(5,848)	(9,996)	(9,358)	(37,474)	(62,676)
Segment result	(2,434)	4,455	5,647	(886)	6,782
Segment assets	1,864,987	869,302	2,381,435	1,022,623	6,138,347
Segment liabilities	316,488	757,728	1,062,487	1,588,092	3,724,795
Other segment information					
Impairment allowance	-	-	3,628	-	3,628
Proprietary investments *(Equity-accounted investees)*	5,702	22,527	92,848	-	121,077
Equity of investment account holders	-	-	1,168,869	595	1,169,464
Commitments	28,564	-	177,199	-	205,763

19 Commitments and contingencies

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

	31 March 2021 US$ 000's (reviewed)	31 December 2020 US$ 000's (audited)	31 March 2020 US$ 000's (unreviewed)
Undrawn commitments to extend finance	106,995	83,260	149,886
Financial guarantees	48,066	27,003	27,313
Capital commitment for infrastructure development projects	21,617	22,449	14,064
Commitment to lend	8,414	13,000	14,500
	185,092	145,712	205,763

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 2021 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.

20 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.

The COVID-19 pandemic has resulted in a global economic slowdown with uncertainties in the economic environment. The global capital and commodity markets have also experienced great volatility and a significant drop in prices. The Group's fair valuation exercise primarily relies on quoted prices from active markets for each financial instrument (i.e. Level 1 input) or using observable or derived prices for similar instruments from active markets (i.e. Level 2 input) and has reflected the volatility evidenced during the period and as at the end of the reporting date in its measurement of its financial assets and liabilities carried at fair value. Where fair value measurements was based in full or in part on unobservable inputs (i.e. Level 3), management has used its knowledge of the specific asset/ investee, its ability to respond to or recover from the crisis, its industry and country of operations to determine the necessary adjustments to its fair value determination process.

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20 Financial instruments (continued)

Fair value hierarchy

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2021 (reviewed)	**Level 1**	**Level 2**	**Level 3**	**Total**
i) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	-	10,000	-	10,000
- equity	13	-	87,484	87,497
	13	10,000	87,484	**97,497**
ii) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	-	216,504	154,326	370,830
- equity	774,742	-	-	774,742
	774,742	216,504	154,326	**1,145,572**
iii) Co-investments				
Investment securities carried at fair value through				
- equity	-	-	115,189	115,189
- income statement			5,260	5,260
			120,449	**120,449**
	774,755	**226,504**	**362,259**	**1,363,518**

31 March 2020 (unreviewed)	Level 1	Level 2	Level 3	Total
i) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	-	-	-	-
- Equity	15,308	-	165,166	180,474
	15,308	-	165,166	180,474
ii) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	-	157,250	183,068	340,318
- equity	344,283	-	-	344,283
	344,283	157,250	183,068	684,601
iii) Co-investments				
Investment securities carried at fair value through equity	-	-	97,334	97,334
	359,591	157,250	445,568	962,409

for the three months ended 31 March 2021 US$ 000's

20 Financial instruments (continued)

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

	31 March 2021 (reviewed)	31 December 2020 (audited)
At beginning of the period	390,567	221,741
Gains (losses) in income statement	255	(1,326)
Transfer (to) / from Level 2	(924)	155,250
Disposals at carrying value	(32,898)	(41,685)
Purchases	3,972	63,623
Fair value changes during the period	1,287	(7,036)
At end of the period	**362,259**	**390,567**

21 ASSETS UNDER MANAGEMENT AND CUSTODIAL ASSETS

1. The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of US$ 4,363 million (31 December 2020: US$ 4,360 million) During the period, the Group had charged management fees amounting to US$ 805 thousand (31 March 2020 (unreviewed): US$ 838 thousand) to its assets under management.

2. Custodial assets comprise of discretionary portfolio management ('DPM') accepted from investors amounting to US$ 460,873 thousand out of which US$ 161,791 thousand has been invested to the Bank's own investment products. Further, the Bank is also holding Sukuk of US$ 38,056 thousand on behalf of the investors.

(The attached information do not form part of the condensed consolidated interim financial information)

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared, a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global slowdown with uncertainties in the economic environment. This included disruption to capital markets, deteriorating credit markets and liquidity concerns. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The pandemic as well as the resulting measures have had a significant knock-on impact on the Bank and its principal subsidiaries and its associates (collectively the “Group”). The Group is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

The Central Bank of Bahrain (CBB) announced various measures to combat the effect of COVID- 19 to ease liquidity conditions in the economy as well as to assist banks in complying with regulatory requirements. Theses measure include the following:

- Payment holiday for 6 months to eligible customers without any additional profits;
- Concessionary repo to eligible retail banks at zero Percent;
- Reduction of cash reserve ratio from 5% to 3%;
- Reductions of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) from 100% to 80%;
- Aggregate of modification loss and incremental expected credit losses (ECL) provisions for stage 1 and stage 2 from March to December 2020 to be added to Tier 1 capital for two years ending 31 December 2020 and 31 December 2021. And to deduct this amount proportionality from Tier 1 capital on an annual basis for three years ending December 2022, 31 December 2023 and 31 December 2024.

The onset of COVID-19 and the aforementioned measures resulted in the following significant effects to the financial position and operations of the Group:

- The CBB mandated 6-month payment holiday required the retail banking subsidiary of the Group to recognize a one-off modification loss directly in equity. The modification loss has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective profit rate and the carrying value of the financial assets on the date of modification.

- The Government of Kingdom of Bahrain has announced various economic stimulus programmes (“Packages”) to support businesses in these challenging times. The Group received various forms of financial assistance representing specified reimbursement of a portion of staff costs, waives of fees, levies and utility charges and zero cost funding received from the government and/or regulators, in response to its COVID-19 support measures. This has been recognized directly in the Group’s equity.

- The mandated 6 months payments holiday also included the requirement to suspend minimum payments and service fees on credit card balances and reduction in transaction related charges, this resulted in a significant decline in the Group’s fees income from its retail banking operations.

- The strain caused by COVID-19 on the local economy resulted in a slow-down in the sale of new asset management products and booking of new corporate financing assets by the Group. During the three months ended 31 March 2021, financing assets bookings were lower by 52.26% than the same period of the previous year.

- Decreased consumer spending caused by the economic slow-down in the booking of new consumer financing assets by the Bank, whereas, deposit balances decreased compared to the same period of the previous year. These effects partly alleviated the liquidity stress faced by the Group due to the mandated 6 months payments holiday. The Group's liquidity ratios and regulatory CAR were impacted but it continues to meet the revised regulatory requirement. The consolidated CAR, LCR and NSFR as of 31 March 2021 was 13.25%, 215% and 97% respectively.

- The stressed economic situation resulted in the Bank recognizing incremental ECL on its financing exposures.

- The overall economic effect of the pandemic was also reflected in the displacement and volatility in global debt and capital markets in Q1 02021 due to which the group had to recognize valuation losses on its Sukuk.

In addition to the above areas of impact, due to the overall economic situation certain strategic business and investment initiatives have been postponed until there is further clarity on the recovery indicators and its impact on the business environment. Overall, for the three-,month period ended 31 March 2021, the Bank achieved a net profit of USD 16.57 million, which is higher than USD 5.08 million in the same period of the previous year, registering a increase of 226 %.

A summary of the significant areas of cumulative financial impact on the Bahrain banking operations described above since March 2020 is as follows:

	Net Impact recognized in the Group's consolidated income statement USD' 000	Net Impact on the Group's consolidated financial position USD' 000	Net Impact recognized in the Group's consolidated owners' equity USD' 000
Average reduction of cash reserve	-	26,058	-
Concessionary repo at 0% #	(737)	129,676	(737)
Modification loss	-	(25,072)	(25,072)
Modification loss amortization	25,072	25,072	-
ECL attributable to COVID-19	(5,172)	(5,172)	-
Government grants	-	-	4,953
Lower fee income (retail banking)	(830)	-	-

 # Concessionary repo was only provided in the prior year and no such facilities continue in the current period.

Information reported in the table above only include components or line items in the financial statements where impact was quantifiable and material. Some of the amounts reported above include notional loss of income or incremental costs and hence may not necessarily reconcile with amounts reported in the interim financial information for 31 March 2021.

The above supplementary information is provided to comply with CBB circular number OG/259/2020 (reporting of Financial Impact of COVID-19), dated 14 July 2020 and only covers impact on Bahrain banking operations of the Group. This information should not be considered as indication of the results if the entire year or relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above impact is as of date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by external auditors.