KHALEEJI BANK B.S.C

PUBLIC DISCLOSURES

(Based on CBB guidelines)

30 June 2024

These disclosures have been prepared in accordance with the Public Disclosure Module ("PD"), Section PD-1.3: Disclosures in Annual Reports and PD-3.1.6 Semi-annual Disclosures, CBB Rule Book, Volume II for Islamic Banks. These disclosures should be read in conjunction with the detailed risk management disclosures made in the annual report for the year ended 31 December 2023, and the condensed consolidated interim financial information for the six months period ended 30 June 2024.

TABLE OF CONTENTS

Executive Summary

The Public Disclosures made under this section have been prepared in accordance with the CBB requirements outlined in the Public Disclosure Module ("PD"), Section PD-1.3: Disclosures in Annual Reports of the CBB Rule Book, Volume II for Islamic Banks and Section PD-3.1.6: Publication of reviewed (Unaudited) quarterly financial statements for locally incorporated Islamic banks.

All figures presented in this section are reported in BD thousands and are as of and for the period ended 30 June 2024 unless otherwise stated.

Khaleeji Bank BSC (the "Bank") Tier I and total capital adequacy ratios comply with the minimum capital requirements under the CBB's Basel 3 framework.

At 30 June 2024, Bank's CET1 and T1 capital and total capital adequacy ratios were 20.92 percent, 20.92 percent and 22.00 percent, respectively.

1 Group Structure

The Bank operates under a retail banking license granted by the CBB on 20 October 2003. The Bank does not have significant operating subsidiaries. The subsidiaries set-up is primarily special purpose entities with nominal capital to execute specific investment transactions. The subsidiaries qualify as commercial entities as per the CBB guidelines and are risk weighted as investments for capital adequacy computation purposes.

2 Capital Management and Capital Adequacy Ratio

2.1 Capital management

The Bank’s policy is to maintain a strong capital base to develop and retain investor, creditor and market confidence and to sustain business growth. The Bank recognizes the impact of a high level of capital on shareholders’ returns, while not losing sight of the security and market confidence afforded by a sound capital base. The Bank aims to maintain a minimum total capital adequacy ratio significantly in excess of that mandated by the CBB.

2.2 Statement of Financial position under the regulatory scope of consolidation

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

	Statement of Financial position as in published financial statements	Statement of Financial position as per regulatory reporting	Reference
ASSETS			
CASH AND BANK BALANCES	69,410	69,409	
OF WHICH ECL (STAGE 1&2)	-	-	a
OF WHICH CASH AND BANK BALANCES TO SUBSIDIARY (COMMERCIAL ENTITY)	1	-	
PLACEMENTS WITH FINANCIAL INSTITUTIONS	116,254	116,254	
OF WHICH ECL (STAGE 1&2)	-	-	b
FINANCING CONTRACTS	600,459	607,230	
OF WHICH ECL (STAGE 1&2)	(6,771)	-	c
OF WHICH FINANICING TO SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
INVESTMENT IN SUKUK	534,288	534,751	
OF WHICH ECL (STAGE 1&2)	(463)	-	d
INVESTMENT SECURITIES	39,198	72,588	
OF WHICH INVESTMENT SECURITIES TO SUBSIDIARY (COMMERCIAL ENTITY)	(33,390)	-	
OF WHICH ECL (STAGE 1&2)	-	-	e
OF WHICH RELATED TO INSIGNIFICANT INVESTMENTS IN FINANCIAL ENTITIES	-	-	
OF WHICH CAPITAL ADJUSTMENTS RELATED TO INVESTMENT IN FINANCIAL ENTITIES WHERE OWNERSHIP IS < 10% OF ISSUED COMMON SHARE CAPITAL (AMOUNT ABOVE 10% CET1A)	-	-	f
OF WHICH RELATED TO OTHER INVESTMENTS	39,198	72,588	
INVESTMENT IN REAL ESTATE	69,074	37,084	
OF WHICH INVESTMENT IN REAL ESTATE OF SUBSIDIARY (COMMERCIAL ENTITY)	31,990	-	
EQUITY ACCOUNTED INVESTEES	27,534	27,534	
OF WHICH EQUITY ACCOUNTED INVESTEES OF SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
OTHER ASSETS	31,187	31,216	
OF WHICH RECEIVABLE FROM SUBSIDIARY (COMMERCIAL ENTITY)	(29)	-	
PROPERTY AND EQUIPMENT	3,205	3,205	
TOTAL ASSETS	**1,490,609**	**1,499,271**	
LIABILITIES			
PLACEMENTS FROM FINANCIAL INSTITUTIONS	132,579	132,579	
PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS	326,676	326,676	
TERM BORROWING	236,367	236,367	
CUSTOMERS' CURRENT ACCOUNTS	179,927	181,022	
OF WHICH ACCOUNT OF SUBSIDIARY (COMMERCIAL ENTITY)	(1,095)	-	
OTHER LIABILITIES	20,739	21,812	
OF WHICH ECL (STAGE 1&2)	54	-	g
OF WHICH PAYABLES OF SUBSIDIARY (COMMERCIAL ENTITY)	(1,127)	-	
TOTAL LIABILITIES	**896,288**	**898,456**	
QUASI-EQUITY	**471,865**	**471,865**	
OWNERS' EQUITY			
SHARE CAPITAL	113,044	113,044	h
STATUTORY RESERVE	12,410	12,410	i
TREASURY SHARES	(6,254)	(6,254)	j
INVESTMENT FAIR VALUE RESERVE	(6,642)	(6,642)	k
RETAINED EARNINGS BEFORE MODIFICATION LOSS	9,311	14,146	l
LESS: MODIFICATION LOSS NET OF GOVERNMENT GRANT AND ECL ADD BACK	-	(5,042)	
RETAINED EARNINGS	9,311	9,104	
OF WHICH RETAINED EARNINGS OF SUBSIDIARY (COMMERCIAL ENTITY)	207	-	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	**121,869**	**121,662**	
ECL (STAGE 1&2)	-	7,288	a+b+c+d+e-g
NON-CONTROLLING INTEREST	587	-	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY	**1,490,609**	**1,499,271**	

2.2 Statement of Financial position under the regulatory scope of consolidation (continued)

* As per the CBB circular OG/226/2020 the aggregate of modification loss and ECL provision, amount must be deducted on an annual basis from CET1 in equal proportions over a three-year period from 1 January 2022 to 31 December 2024. Further, as per the CBB circular OG/417 /2021 the benefit of amortization of modification loss was extended until 30 June 2022. Further, CBB in its circular ODG/28/2022, communicated that the amortization of modification loss and 2020 ECL (management overlay) must be amortized starting from 1 January 2023. During the period ended 30 June 2024, out of the modification loss of BD 10,083, an amount BD 1,680 thousand representing modification loss net of government subsidy was deducted from CET1.

2.3 Composition of Capital

	Composition of Capital as at 30 June 2024		**Source based on reference letters of the statement of financial position under the regulatory scope of consolidation**
	Common Equity Tier 1 capital: instruments and reserves		
1.	Directly issued qualifying common share capital plus related stock surplus	106,790	h+j
2.	Retained earnings	26,556	i+l
3.	Accumulated other comprehensive income (and other reserves)	(6,642)	
4.	*Not applicable*		
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6.	**Common Equity Tier 1 capital before regulatory adjustments**	126,704	
	Common Equity Tier 1 capital: regulatory adjustments		
7.	Prudential valuation adjustments	-	
8.	Goodwill (net of related tax liability)	-	
9.	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
10.	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11.	Cash-flow hedge reserve	-	
12.	Shortfall of provisions to expected losses	-	
13.	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14.	Not applicable		
15.	Defined-benefit pension fund net assets	-	
16.	Investments in own shares	-	
17.	Reciprocal cross-holdings in common equity	-	
18.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19.	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	f
20.	Mortgage servicing rights (amount above 10% threshold)	-	
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22.	Amount exceeding the 15% threshold	-	
23.	of which: significant investments in the common stock of financials	-	
24.	of which: mortgage servicing rights	-	
25.	of which: deferred tax assets arising from temporary differences	-	
26.	CBB specific regulatory adjustments	-	
27.	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28.	**Total regulatory adjustments to Common equity Tier 1**	-	
29.	**Common Equity Tier 1 capital (CET1)**	126,704	
	Additional Tier 1 capital: instruments		
30.	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31.	of which: classified as equity under applicable accounting standards	-	
32.	of which: classified as liabilities under applicable accounting standards	-	
33.	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-	
34.	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35.	*of which: instruments issued by subsidiaries subject to phase out*	-	
36.	**Additional Tier 1 capital before regulatory adjustments**	-	
	Additional Tier 1 capital: regulatory adjustments		

	Composition of Capital as at 30 June 2024		Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
37.	Investments in own Additional Tier 1 instruments	-	
38.	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40.	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41.	CBB specific regulatory adjustments	-	
42.	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43.	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44.	**Additional Tier 1 capital (AT1)**	-	
45.	**Tier 1 capital (T1 = CET1 + AT1)**	126,704	
	Tier 2 capital: instruments and provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47.	*Directly issued capital instruments subject to phase out from Tier 2*	-	
48.	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49.	*of which: instruments issued by subsidiaries subject to phase out*	-	
50.	Provisions	6,516	
51.	**Tier 2 capital before regulatory adjustments**	6,516	
	Tier 2 capital: regulatory adjustments		
52.	Investments in own Tier 2 instruments	-	
53.	Reciprocal cross-holdings in Tier 2 instruments	-	
54.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55.	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56.	National specific regulatory adjustments	-	
57.	**Total regulatory adjustments to Tier 2 capital**	-	
58.	**Tier 2 capital (T2)**	6,516	
59.	**Total capital (TC = T1 + T2)**	133,220	
60.	**Total risk weighted assets**	605,530	
	Capital ratios and buffers		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	20.92%	
62.	Tier 1 (as a percentage of risk weighted assets)	20.92%	
63.	Total capital (as a percentage of risk weighted assets)	22.00%	
64.	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	9%	
65.	of which: capital conservation buffer requirement	2.5%	
66.	of which: bank specific countercyclical buffer requirement	N/A	
67.	of which: D-SIB buffer requirement	N/A	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	20.92%	
	National minima including CCB (where different from Basel III)		
69.	CBB Common Equity Tier 1 minimum ratio	9.0%	
70.	CBB Tier 1 minimum ratio	10.5%	
71.	CBB total capital minimum ratio	12.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
72.	Non-significant investments in the capital of other financials	-	
73.	Significant investments in the common stock of financials	-	
74.	Mortgage servicing rights (net of related tax liability)	-	
75.	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	7,288	

Composition of Capital as at 30 June 2024			Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	6,516	
78.	N/A	-	
79.	N/A	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
80.	*Current cap on CET1 instruments subject to phase out arrangements*	NA	
81.	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	NA	
82.	*Current cap on AT1 instruments subject to phase out arrangements*	NA	
83.	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	NA	
84.	*Current cap on T2 instruments subject to phase out arrangements*	NA	
85.	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	NA	

2.4 Unconsolidated legal entities for regulatory purposes

Legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:

Legal Entity name	Entity classification as per CBB Rules & Guidelines	Treatment by the Bank for regulatory purposes	Extracts of financial information as at 30 June 2024 (Amount in BD 000's)	
			Total assets	**Total equity**
Surooh LTD	Commercial entity	Risk weighted	2,573	2,418
HH Hotel Properties W.L.L.	Commercial entity	Risk weighted	60,332	60,246
KHCB Tier 1 Sukuk Limited	Trust	Risk weighted	3.59	0.09

2.5 Disclosure template for main feature of regulatory capital instruments

1.	Issuer	Khaleeji Bank B.S.C
2.	Unique identifier	KHALEEJI
3.	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment	
4.	Transitional CBB rules	Common Equity Tier 1
5.	Post-transitional CBB rules	Common Equity Tier 1
6.	Eligible at solo/group/group & solo	Group and solo
7.	Instrument type (types to be specified by each jurisdiction)	Equity Shares
8.	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 113 million
9.	Par value of instrument	BD 0.100
10.	Accounting classification	Shareholders' Equity
11.	Original date of issuance	Various
12.	Perpetual or dated	Perpetual
13.	Original maturity date	No Maturity
14.	Issuer call subject to prior supervisory approval	No
15.	Optional call date, contingent call dates and redemption amount	Not applicable
16.	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17.	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders
18.	Coupon rate and any related index	Not applicable
19.	Existence of a dividend stopper	Not applicable
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21.	Existence of step up or other incentive to redeem	No
22.	Noncumulative or cumulative	Non-cumulative
23.	Convertible or non-convertible	Non-convertible
24.	If convertible, conversion trigger (s)	Not applicable
25.	If convertible, fully or partially	Not applicable
26.	If convertible, conversion rate	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable
30.	Write-down feature	No
31.	If write-down, write-down trigger(s)	Not applicable
32.	If write-down, full or partial	Not applicable
33.	If write-down, permanent or temporary	Not applicable

2.5 Disclosure template for main feature of regulatory capital instruments (continued)

34.	If temporary write-down, description of write-up mechanism	Not applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36.	Non-compliant transitioned features	No
37.	If yes, specify non-compliant features	Not applicable

2.6 Capital structure, minimum capital requirements and capital adequacy

Following is the break-up of capital structure as at 30 June 2024:

BD 000's

Eligible capital	**30 June 2024**
Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	113,044
Less: Treasury Shares	6,254
Statutory reserve	12,410
Retained earnings	9,008
Current interim cumulative net profit	5,138
Other reserve	(6,642)
Total CET1 capital prior to the regulatory adjustments	
Less: Investment in own shares	-
Less: Investments in financial entities where ownership is < 10% of the issued common share capital (amount above 10% CET1a)	-
Total Common Equity Tier 1 capital after the regulatory adjustments	**126,704**
Other Capital	
AT1	-
Total Tier 1 Capital	**126,704**
Expected credit losses (ECL) Stage 1 & 2 – (Tier 2)	6,516
Total Available T2 Capital	**6,516**
Total Capital	**133,220**

	30 June 2024
Credit risk weight exposures	521,243
Market risk weight exposures	9,225
Operational risk weight exposures	75,062
Total risk weighted exposures	**605,530**

Capital adequacy ratio (CET1)	**20.92%**
Capital adequacy ratio (T1)	**20.92%**
Capital adequacy ratio (Total capital)	**22.00%**

The above capital adequacy ratios are calculated by dividing the respective regulatory capital base by the total Risk Weighted Assets (RWAs).

2.6 Capital structure, minimum capital requirements and capital adequacy (continued)
Break-up of capital requirement in accordance with the capital adequacy module of the CBB for the period ended 30 June 2024 is as follows (in BD 000's):

Exposure classification	Exposure			Risk weighted assets[1]			Capital requirement @ 12.5%		
	Self–Financed[2]	Quasi-equity[3]	Total	Self – Financed	Quasi-equity	Total	Self – Financed	Quasi-equity	Total
▪ Cash and collection items	4,388	-	4,388	-	-	-	-	-	-
▪ Sovereigns	377,772	47,335	425,107	-	5,116	5,116	-	640	640
▪ Claims on PSEs	78,605	-	78,605	20,383	-	20,383	2,548	-	2,548
▪ Banks	104,400	-	104,400	46,033	-	46,033	5,754	-	5,754
▪ Corporates	121,302	351,424	472,726	92,869	121,530	214,398	11,609	15,191	26,800
▪ Retail	30,076	-	30,076	22,557	-	22,557	2,820	-	2,820
▪ Mortgage	106,884	-	106,884	37,409	-	37,409	4,676	-	4,676
▪ Past due facilities	22,922	-	22,922	31,871	-	31,871	3,984	-	3,984
▪ Investments in equities/sukuk/ Funds	26,858	15,248	42,106	40,287	6,862	47,149	5,036	858	5,894
▪ Holdings of real estate	66,560	28,863	95,423	66,560	8,659	75,219	8,320	1,082	9,402
▪ Other assets	21,108	-	21,108	21,108	-	21,108	2,639	-	2,639
Credit Risk	**960,875**	**442,870**	**1,403,745**	**379,077**	**142,166**	**521,243**	**47,386**	**17,771**	**65,157**
Market Risk	**-**	**-**	**-**	**9,225**	**-**	**9,225**	**1,153**	**-**	**1,153**
Operational Risk	**-**	**-**	**-**	**75,062**	**-**	**75,062**	**9,383**	**-**	**9,383**
Total	**960,875**	**442,870**	**1,403,745**	**463,364**	**142,166**	**605,530**	**57,922**	**17,771**	**75,692**

[1] For capital adequacy computations, 100% of the RWAs are reckoned for self-financed assets while only 30% is considered for assets funded through Quasi-equity.
[2] Net of credit risk mitigants of BD 74,636 thousand.
[3] Net of credit risk mitigants of BD 28,995 thousand.

3 Credit Risk

3.1 Levels of exposure

Gross credit exposure along with average credit exposure broken down under different exposure classes as at 30 June 2024 is as follows: BD000's

	Average [1] Exposure	Gross Exposure		
		Self – Financed	Quasi-equity	Total
Cash and bank balances[2]	53,353	39,128	30,281	**69,409**
Placement with financial institutions[2]	97,351	116,254	-	**116,254**
Investment in sukuk[2]	531,610	450,971	83,780	**534,751**
Financing contracts[2]	610,846	293,537	313,693	**607,230**
Investment securities	72,257	45,270	27,318	**72,588**
Investment in real estate	37,155	20,291	16,793	**37,084**
Equity accounted investees	25,990	27,534	-	**27,534**
Other assets, including property and equipment	32,543	34,421	-	**34,421**
Total funded Credit Exposure	**1,461,105**	**1,027,406**	**471,865**	**1,499,271**
Financial guarantees	7,041	6,716	-	**6,716**
Undrawn financing facilities	34,242	36,599	-	**36,599**
Total unfunded Credit Exposure	**41,283**	**43,315**	**-**	**43,315**

[1] Represents quarterly average balances for the six-month period ended 30 June 2024.
[2] Gross of ECL Stage 1 and Stage 2 provision of BD 7,288 thousand.

3.2 Concentration of credit risk

3.2.1 Geographic distribution

The geographical exposure profile as at 30 June 2024 was as follows:

BD 000's

30 June 2024	GCC Countries	Europe	USA	Asia	Australia	Total
Assets						
Cash and bank balances	52,763	1,523	15,075	49	-	**69,410**
Placement with financial institutions	111,143	5,111	-	-	-	**116,254**
Investment in sukuk	446,257	88,031	-	-	-	**534,288**
Financing contracts	594,401	-	6,058	-	-	**600,459**
Investment securities	35,671	-	-	-	3,527	**39,198**
Investment in real estate	69,074	-	-	-	-	**69,074**
Equity accounted investees	27,534	-	-	-	-	**27,534**
Other assets	30,600	415	35	136	1	**31,187**
Property and equipment	3,205	-	-	-	-	**3,205**
Total funded exposures	**1,370,648**	**95,080**	**21,168**	**185**	**3,528**	**1,490,609**
Guarantees	6,716	-	-	-	-	**6,716**
Undrawn financing facilities	36,599	-	-	-	-	**36,599**
Total unfunded exposures	**43,315**	**-**	**-**	**-**	**-**	**43,315**

3.2.2 Industry/ sector-wise distribution

The Board of Directors has stipulated maximum exposures to various industry sectors. The industry/ sector wise exposure as at 30 June 2024 was as follows:

BD 000's

30 June 2024	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and bank balances	69,410	-	-	**69,410**
Placement with financial institutions	116,254	-	-	**116,254**
Investment in sukuk	-	71,233	463,055	**534,288**
Financing contracts	47,389	255,249	297,821	**600,459**
Investment securities	15,249	18,141	5,808	**39,198**
Investment in real estate	-	69,074	-	**69,074**
Equity accounted investees	-	27,534	-	**27,534**
Other assets	106	1,764	29,317	**31,187**
Property and equipment	-	-	3,205	**3,205**
Total funded exposure	**248,408**	**442,995**	**799,206**	**1,490,609**
Guarantees	-	292	6,424	**6,716**
Undrawn financing facilities	-	5,528	31,071	**36,599**
Total unfunded exposures	**-**	**5,820**	**37,495**	**43,315**

3.2.3 Transactions with related counterparties

Related counterparties are those entities which are related to the Bank through significant shareholding, control, or both. Wherever the Bank has entered into business transactions with such counterparties, such transactions have been done at an arm's length basis and on commercial terms that bring no disadvantage to the Bank. For the purpose of identification of related counterparties, the Bank strictly follows the guidelines issued by CBB for this purpose. For details of Transactions with related parties during the six months period ended 30 June 2024 and outstanding balances pertaining to related parties, please refer to note 22 of the condensed consolidated interim financial information for the six months period ended 30 June 2024. All transactions are done at commercial terms.

3.2.4 Exposures exceeding materiality thresholds

The Bank is required to carry out capital adjustments (deduction) for its exposure to significant investments in capital of banking and financial entities that are outside the scope of regulatory consolidation subject to certain materiality thresholds as defined in the Capital Adequacy Module ("CA Module") of the CBB Rule Book.

Further, the exposures in excess of limits prescribed by Credit Risk Management Module ("CM Module") (single obligor limit of 15% of total capital and aggregate limit for connected counterparty exposure of 25% of total capital) are subject to risk weight of 800%. For investment in a financial entity where ownership is < 10% of the issued common capital, 60% of the amount exceeding 10% of CET1(a) is subject to deduction from CET1(a). The following table summarizes the exposures exceeding regulatory limits as of 30 June 2024:

BD 000's

Counterparty	Exposure type	Exposure	Limit as a percentage	Exposure in excess of the limits
Exposure to Controller	Financing	8,172	6.13%	8,172
Single obligor limits	Investment securities	58,297	43.76%	38,314
Single obligor limits	Financing	23,342	17.52%	3,359

3.2.5 Exposures in highly leveraged counterparties

The following balances represent the financing facilities to highly leveraged or other high-risk counterparties as of 30 June 2024:

Counterparties	Gross BD '000	Provision BD '000	Net BD '000
Counterparty # 1	4,106	3,511	595

3.2.6 Residual contractual maturity of the credit portfolio and investment in sukuk

The Bank's policy provides guidelines for the appropriate tenor for corporate clients and retail customers. These guidelines are reviewed on a periodic basis. The Bank constantly monitors the residual maturity profile of its assets to ensure that any mismatch with the maturity of its liabilities is kept within acceptable limits. The contractual residual maturity profile by type of financing contract of the Bank's credit portfolio and investment in sukuk in banking book is given in the table below (in BD 000's):

Maturity Scale	< 1 M	1 - 3 M	3 - 6 M	6M - 1Y	1 - 3Y	3 – 5Y	5 - 10Y	10 - 20Y	Over 20Y	No fixed maturity	Total
Credit portfolio: Murabaha	50,177	8,021	10,709	59,789	95,157	81,553	78,958	3,964	757	-	389,085
Mudaraba	5	10	481	248	2,372	4,749	-	-	-	-	7,865
Ijarah	3,353	2,062	3,571	9,833	36,505	28,355	55,088	50,181	14,561	-	203,509
Total	**53,535**	**10,093**	**14,761**	**69,870**	**134,034**	**114,657**	**134,046**	**54,145**	**15,318**	**-**	**600,459**
Investment in sukuk– banking book	-	-	11,325	64,278	271,925	112,244	12,399	3,820	58,297	-	534,288
Total	**-**	**-**	**11,325**	**64,278**	**271,925**	**112,244**	**12,399**	**3,820**	**58,297**	**-**	**534,288**
Grand Total	**53,535**	**10,093**	**26,086**	**134,148**	**405,959**	**226,901**	**146,445**	**57,965**	**73,615**	**-**	**1,134,747**

3.3 Equity risk in banking book

The Bank has certain equity investments in the Banking book and they are subject to credit risk weighting under the capital adequacy framework.

Information on equity investments	BD 000's
Privately held	57,341
Dividend income, net of amortization	20
Fair value loss through equity	104

3.3 Equity risk in banking book (continued)

The following are the categories under which equity investments are included in the capital adequacy computations as per the requirements of the CBB rules:

BD 000's

Equity investments in banking book	Gross exposure		Risk weighted exposure		Capital requirement @ 12.5%	
	Self-financed	Quasi-equity	Self-financed	Quasi-equity	Self-financed	Quasi-equity
Unlisted	5,808	-	8,712	-	1,089	-
Investments in unlisted real estate companies	5,677	12,070	22,708	14,484	2,839	1,811
Other holding of real estate	33,786	-	-	-	-	-
Total	**45,271**	**12,070**	**31,420**	**14,484**	**3,928**	**1,811**

3.4 Geographical and sector wise break up of impairment allowances and impaired and past due accounts

BD 000's

	GCC Countries	Europe	Total
Credit Impaired:			
3 months to 1 year	14,429	-	**14,429**
1 year to 3 years	23,152	-	**23,152**
More than 3 years	5,888	-	**5,888**
	43,469	-	**43,469**
Less: Stage 3 impairment allowance:			
At 1 January 2024	15,200	-	**15,200**
Net Transfer	(456)	-	**(456)**
Charge during the period	2,949	-	**2,949**
Write off during the period	-	-	**-**
Disposals	(506)	-	**(506)**
	17,187	**-**	**17,187**
Carrying amount	**26,282**	**-**	**26,282**
Past due but not credit impaired:			
Up to 3 months	137,113	-	**137,113**
3 months to 1 year	-	-	**-**
More than 1 year	-	-	**-**
	137,113	**-**	**137,113**
Stage 1 and Stage 2 ECL Allowance			
At 1 January 2024	7,751	-	**7,751**
Net Transfer	456	-	**456**
Net Charge / (reversal) during the period	(1,423)	-	**(1,423)**
Stage 1 and Stage 2 impairment allowance	6,784	-	**6,784**

3.4 Geographical and sector wise break up of impairment allowances and impaired and past due accounts (continued)

	Banks and financial institutions	Real estate	Others	Total
Credit Impaired:				
3 months to 1 year	859	4,656	8,915	**14,430**
1 year to 3 years	-	20,014	3,138	**23,152**
More than 3 years	-	2,741	3,146	**5,887**
	859	**27,411**	**15,199**	**43,469**
Less: Stage 3 impairment allowance:				
At 1 January 2024	603	4,949	9,648	**15,200**
Net Transfer	-	(419)	(38)	**(457)**
Charge during the period	(335)	3,493	(208)	**2,950**
Write off during the period	-	-		**-**
Disposals	-	(506)	-	**(506)**
	268	**7,517**	**9,402**	**17,187**
Carrying amount	**591**	**19,894**	**5,797**	**26,282**
Past due but not credit impaired:				
Up to 3 months	-	43,912	93,201	**137,113**
3 months to 1 year	-	-	-	-
More than 1 year	-	-	-	-
	-	**43,912**	**93,201**	**137,113**
Stage 1 and Stage 2 ECL Allowance				
At 1 January 2024	-	404	7,347	**7,751**
Net Transfer	-	418	38	**456**
Net Charge / (reversal) during the period	-	904	(2,327)	**(1,423)**
Stage 1 and Stage 2 impairment allowance	**-**	**1,726**	**5,058**	**6,784**

3.5 Renegotiated facilities

During the period, facilities of BD 25,063 thousand were renegotiated representing 4% of the total outstanding facilities, out of which BD 15,946 thousand are classified as neither past due nor impaired as of 30 June 2024. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD. The Bank carried out an assessment of the renegotiated facilities. The renegotiated terms improved or restored the Bank’s ability to collect profit and principal.

3.6 Legal action and write off of exposures

The Bank has policy for initiation and prosecution of legal action when all amicable avenues for settlement of dues from a customer have been exhausted. The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means.

As of 30 June 2024, the Bank did not have any material legal contingency from pending legal actions. Based on management estimates there is no potential liability arising from the pending legal actions.

The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means. The Bank has written-off financing facilities amounting to BD Nil thousand during the six months period ended 30 June 2024.

3.7 Penalties for delayed payments

In cases where customers delay the payments of dues to the Bank, the Bank has the right to collect penalties, subject to the provisions of the agreement between the customer and the Bank. The Bank recovers such penalties from customers when the amounts are significant. As per policy such penalties are maintained in a separate account and used for charity purposes approved by the Bank's Shari'a Board.

The Bank has a policy of creating a contribution for Charity and Zakah fund for any non-Islamic income earned. During the six months period ended 30 June 2024, an amount of BD 6 thousand was thus transferred to Charity and Zakah fund. As at 30 June, there was no material Shari'a violation that lead to a major impact on Bank's Shari'a governance framework, financial, reputation and invalidation of transactions.

3.8 Credit risk mitigation

The position of collateral cover for all credit exposures categorized on the basis of the type of security as on 30 June 2024 is given in the table below:

BD 000's

Collateral Type	Murabaha	Mudaraba	Ijarah	Value of collateral [1]	Gross Exposure [2]	% of cover	% of Total
Real Estate	329,961	9,527	220,825	560,313	311,195	180%	95%
Listed Securities	-	-	-	-	-	0%	0%
Unlisted Securities	-	-	-	-	-	0%	0%
Bank Guarantee	-	-	-	-	-	0%	0%
Cash Collateral	19,367	-	2,780	22,147	36,985	60%	4%
Unsecured	-	-	-	-	272,631	0%	0%
Others	8,659	-	-	8,659	3,619	239%	1%
Total	**357,987**	**9,527**	**223,605**	**591,119**	**624,430**	**95%**	**100%**

[1] Represents collateral values after haircut based on the last valuation carried out based on the Bank's valuation policy including collaterals which exceed the book value of the facility.

[2] The amounts are gross of Stage 1 and Stage 2 ECL BD 6,771 thousand and Stage 3 ECL BD 17,200 thousand.

The estimated fair values of the Group's credit exposure are not significantly different from their carrying values. The Bank has a policy of disposal of asset held as collateral not readily convertible into cash, after completion of necessary legal formalities.

3.9 Regulatory capital requirements by type of financing contracts

BD 000's

Financing contracts	Exposure*		Credit Risk Weighted Assets		Capital Requirement @ 12.5%	
	Self-financed	Quasi-equity	Self-financed	Quasi-equity	Self-financed	Quasi-equity
Murabaha	84,079	311,777	61,163	97,974	7,645	12,247
Ijarah assets	201,593	1,916	61,529	-	7,691	-
Mudharabah	7,865	-	872	-	109	-
Total	**293,537**	**313,693**	**123,564**	**97,974**	**15,445**	**12,247**

*The balance constitutes net of ECL stage 3

4 Market Risk
4.1 Regulatory capital allocation against market rate risk

The table below shows the market risk position for each category of the market risk as at period ended 30 June 2024 along with the maximum and minimum values during the period:

BD 000's

	As at 30 June	Max	Min
Equity position risk	-	-	-
Market risk on trading positions in sukuk	-	-	-
Foreign exchange risk	738	800	738
Commodity risk	-	-	-
Total (A)	738	800	738
Risk Weighted Assets (A x 12.5)	9,225	10,000	9,225
Capital requirement @ 12.5%	1,153	1,250	1,153

5 Operational Risk

5.1 Regulatory capital allocation against operational risk

The Bank uses the Basic Indicator Approach ("BIA") in calculating its regulatory capital requirement for operational risk.

The risk weighted assets and capital requirement for operational risk as at 30 June 2024 is as given below:

BD 000's

Average gross income for 3 years (A)	40,033
Operational Risk Weighted Assets B = (A x 15% x 12.5)	75,062
Capital requirement (B x 12.5%)	9,383

6 Other Risks

6.1 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting its financial obligations on account of a maturity mismatch between assets and liabilities. The Bank's approach to managing liquidity is to ensure that it will always have sufficient funds and high quality liquid assets to meet its liabilities when due without incurring unacceptable losses or risking damage to the Bank's reputation.

Maturity profile of assets and liabilities based on residual contractual maturity or expected maturity as at 30 June 2024 is as follows:

BD 000's

30 June 2024 **Assets**	**Up to 3 months**	**3 to 6 months**	**6 months-1 year**	**1 to 3 years**	**Over 3 years**	**No fixed maturity**	**Total**
Cash and bank balances	39,129	-	-	-	-	30,281	**69,410**
Placements with financial institutions	116,254	-	-	-	-	-	**116,254**
Investment in sukuk	-	329,141	18,494	110,115	18,241	58,297	**534,288**
Financing contracts	61,917	14,394	81,393	129,639	313,116	-	**600,459**
Investment securities	-	-	-	15,249	23,949	-	**39,198**
Investment in real estate	-	-	-	-	69,074	-	**69,074**
Equity accounted investees	-	-	-	-	27,534	-	**27,534**
Other assets	4,613	3,497	44	16,933	6,100	-	**31,187**
Property and equipment	-	-	-	-	-	3,205	**3,205**
Total assets	**221,913**	**347,032**	**99,931**	**271,936**	**458,014**	**91,783**	**1,490,609**

6.1 Liquidity Risk (continued)

Liabilities	Up to 3 months	3 to 6 months	6 months-1 year	1 to 3 years	Over 3 years	No fixed maturity	Total
Placements from financial institutions	82,365	9,974	40,240	-	-	-	**132,579**
Placements from non-financial institutions and individuals[1]	22,180	62,671	46,446	360	195,019	-	**326,676**
Term financing from financial institutions[1]	-	-	-	236,367	-	-	**236,367**
Customers' current accounts[1]	12,541	22,131	-	12,109	133,146	-	**179,927**
Other liabilities	10,463	2,339	1,237	2,726	3,974	-	**20,739**
Total liabilities	**127,549**	**97,115**	**87,923**	**251,562**	**332,139**	**-**	**896,288**
Quasi-equity[1]	28,203	16,831	30,636	12,120	384,075	-	**471,865**
Restricted Investment accounts	-	-	-	1,533	-	-	**1,533**
Commitments	28,594	764	4,756	9,191	10	-	**43,315**

[1]Allocated using behavioral approach to compute expected maturity profile.

Following are the key liquidity ratios which reflect the liquidity position of the Bank for the past 5 years:

Figures in %

	2024	2023	2022	2021	2020
Inter-bank assets to inter-bank liabilities	113.82%	66.77%	60.86%	59.12%	64.11%
Liquid assets to total assets	24.57%	32.08%	34.32%	27.61%	24.41%
Liquid assets to total deposits	37.43%	58.77%	56.14%	41.20%	35.66%
Net liquid assets to total deposits	23.88%	29.78%	28.59%	24.54%	24.22%

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".

NSFR calculated as per the requirements of the CBB rulebook, as of 30 June 2024 is as follows:

	Total weighted value
	30 June 2024
Available stable funding (ASF)	894,592
Required stable funding (RSF)	795,887
NSFR %	112.40%
Minimum required by CBB	100%

6.1 Liquidity Risk (continued)

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.

	30 June 2024
Stock of HQLA	114,067
Net cashflows	130,404
LCR %	266.63%
Minimum required by CBB*	100%

6.2 Profit rate risk in the banking book

A summary of the Bank's profit rate gap position at 30 June 2024 is as follows:

BD 000's

30 June 2024	**Up to 3 months**	**3 - 6 months**	**6 months - 1 year**	**1 - 3 years**	**More than 3 years**	**Total**
Assets						
Placements with financial institutions	116,254	-	-	-	-	**116,254**
Financing contracts	38,201	1,767	19,947	46,286	494,258	**600,459**
Investment in sukuk	68,222	23,705	62,302	226,951	153,108	**534,288**
Investment securities	-	-	-	15,249	23,949	**39,198**
Total profit rate sensitive assets	**222,677**	**25,472**	**82,249**	**288,486**	**671,315**	**1,290,199**
Liabilities						
Placements from financial institutions	93,996	7,664	30,919	-	-	**132,579**
Placements from non-financial institutions and individuals	60,409	83,486	173,400	9,381	-	**326,676**
Term financing from financial institutions	-	-	-	236,367	-	**236,367**
Customers' current accounts	1,038	-	-	-	-	**1,038**
Quasi-equity	293,737	51,468	122,826	3,829	5	**471,865**
Total profit rate sensitive liabilities	**449,180**	**142,618**	**327,145**	**249,577**	**5**	**1,168,525**
Profit rate gap	**(197,909)**	**(116,382)**	**(240,141)**	**48,101**	**671,319**	**164,988**

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise across all yield curves and a 50 bp rise or fall of all yield curves.

An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position position) is as follows:

	100bp parallel increase/ decrease	**50bp increase/ decrease**
At 30 June 2024	± 825	± 412
At 31 December 2023	± 501	± 251

6.2 Profit Rate Risk in the Banking Book (continued)

The other principal risk, to which the banking book is exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the RMD in its day-to-day monitoring activities. The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel fall or rise across all yield curves and a 50 bps rise or fall of all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position position) is as follows:

	200bp parallel increase/ decrease
At 30 June 2024	± 1,650
At 31 December 2023	± 1,003

The following table summarises the effect on value of assets, liabilities and economic capital for a benchmark change of 200 bp in profit rates as of 30 June 2024:

	Effect on value of Asset BD'000	Effect on value of Liability BD'000	Effect on value of Economic Capital BD'000
Upward rate shocks:	25,020	1,650	23,371
Downward rate shocks:	(25,020)	(1,650)	(23,371)

6.3 Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. The Bank does not engage in proprietary trading of equity, foreign exchange or its derivatives. However, the Bank manages such risk through natural hedges to hedge its risks arising out of mismatch in its asset liability portfolios. Clear policies for such transactions are in place. For other credit markets transactions (primarily interbank placements), the Bank has established a matrix of counterparty limits based on external credit rating of such counterparties. Such limits are constantly monitored by the Banks Risk Management Department. As at 30 June 2024, the Bank did not have any open position in foreign currency risk management instruments.

6.4 Concentration risk

Concentration risks arises when a number of obligors, counterparties or investees are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Accordingly, such concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or region. The Bank has established exposure limits to various geographic regions and industry sectors. For break-up of exposure geography and industry/ sector wise, please refer points 3.2.1 and 3.2.2 above.

6.5 Reputational risk

Reputation risk is the risk that negative perception regarding the Bank's business practices or internal controls, whether true or not, will cause a decline in the Bank's investor base, lead to costly litigation that could have an adverse impact on liquidity or capital of the Bank. Being an Islamic Bank, reputation is an important asset and among the issues that could affect the Bank's reputation is the inability to exit from investments, lower than expected returns on investments and poor communication to investors. The Bank has a well-developed and coherently implemented communication strategy to cover such contingencies. The Bank also allocates additional capital for such risks under its ICAAP.

6.6 Profit rate risk

The Group faces various profit rate risks which can be classified broadly into the following categories:

a. Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by Quasi-equity. This can be due to the return on such assets being lower than that of competitors. The Bank has adequate policies and procedures in place to identify, monitor and address all potential risks that may arise from such activities. Please refer to the section on Quasi-equity for further details.
b. Re-pricing risk which arises from either change in profit rates in the market or timing differences in the maturity (for fixed rate) and re-pricing (for floating rate) of assets, liabilities and off-balance sheet positions. As profit rates vary, these re-pricing mismatches expose the Group's income and underlying economic value to unanticipated fluctuations;
c. c. Profit Yield curve risk which arises when unanticipated shifts of the yield curve which may have adverse effects on the Group's income and/or underlying economic value;
d. Basis risk which arises from imperfect correlation in the adjustment in the rate earned on products priced and the rate paid on different instruments with otherwise similar re-pricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities, and off-balance sheet instruments of similar maturities or re-pricing frequencies

6.7 Other risks

Other risks include strategic risk, fiduciary risks, and regulatory risks etc. which are inherent in all business and are not easily measurable or quantifiable. The Bank's Board has overall responsibility for approving and reviewing the risk strategies and amendments to the risk policies. The Bank senior management is responsible for implementing the risk strategy approved by the Board. The management also ensures that internal systems of corporate governance and regulatory compliance for management of fiduciary and reputational risks are robust and effective. The Bank also allocates additional capital for such risks under its ICAAP.

7 Financial Performance

Following are basic quantitative indicators of the financial performance:

(Annualized rates)

	June 2024	2023	2022	2021	2020
Return on average equity*	7.60%	5.94%	9.24%	7.21%	9.14%
Return on average assets	0.69%	0.77%	1.20%	1.03%	0.86%
Finance income to finance expense	82.03%	71.82%	110.39%	117.49%	119.25%
Cost-to-Income-Ratio**	52.00%	58.86%	45.43%	41.99%	45.92%

* for the purpose of this ratio calculation, equity includes additional tier 1 capital.
** Cost has been considered excluding impairment allowances.

8 Product Disclosures

8.1 *Quasi-equity*

The details of income distribution to Quasi-equity account holders for the last five years are given below:

BD 000's

	June 2024	2023	2022	2021	2020
Allocated income to Quasi-equity	12,275	28,364	29,862	25,939	21,574
Distributed profit *	10,362	21,558	14,345	11,955	12,285
Mudarib fees	1,913	6,806	15,517	13,985	9,289
Wakala fees	489	-	-	-	-
As at 30 June					
Quasi-equity [1]	482,849	529,243	568,986	462,999	435,886
Profit Equalisation Reserve (PER)	-	-	-	-	-
Investment Risk Reserve (IRR)	-	-	-	-	-
Profit Equalisation Reserve-to-Quasi-equity (%)	-	-	-	-	-
Investment Risk Reserve-to-Quasi-equity (%)	-	-	-	-	-

[1] Represents monthly average balance
* Includes contribution towards deposit protection scheme

Ratio of financing of the Quasi-equity by type of Quasi-equity contracts as at 30 June 2024:

Type of Quasi-equity contracts	Ratio of financing
1 Month Mudharaba [1]	36.1%
3 Months Mudharaba	1.8%
6 Months Mudharaba	5.6%
12 Months Mudharaba	20.0%
18 Months Mudharaba	0.1%
24 Months Mudharaba	0.8%
36 Months Mudharaba	0.2%
VIP Mudharaba	26.9%
Wakala	8.5%
Total	100.0%

[1] Includes saving account, Al-Wafer account and call mudharaba accounts.

Ratio of profit distributed to PSIA by type of Quasi-equity (based on tenor):

BD 000's

Mudaraba Tenor	Profit distribution amount in BD					Ratio of profit paid as a percentage of total				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
1 Month [1]	2,623	6,693	5,267	2,712	2,170	25.3	31.0	36.7	22.7	17.7
3 Months	167	500	597	852	633	1.6	2.3	4.2	7.1	5.1
6 Months	753	1,173	550	601	656	7.3	5.4	3.8	5.0	5.3
12 Months	2,448	4,020	2,653	3,024	3,797	23.6	18.6	18.5	25.3	30.9
18 Months	16	43	13	6	9	0.2	0.2	0.1	0.1	0.1
24 Month	320	1,887	1,508	1,131	1,312	3.1	8.8	10.5	9.5	10.7
36 Month	24	52	22	19	106	0.2	0.2	0.2	0.2	0.9
VIP Mudaraba	3,522	7,171	3,735	3,610	3,552	34.0	33.4	26.0	30.1	28.9
Wakala	489	19	-	2,712	50	4.7	0.1	-	-	0.4
Total	**10,362**	**21,558**	**14,345**	**14,667**	**12,285**	**100.0**	**100**	**100.0**	**100.0**	**100.0**

[1] Includes saving account, Al-Wafer account, e-trade account, salary account, and call mudharaba accounts

8.1 Quasi-equity (continued)

Distribution of profits by type of Quasi-equity products
(Annualised rates)

Year	Avg. profit earned from Quasi-equity assets (%age of asset)	PER set aside as a %age of Quasi-equity assets	IRR set aside as a %age of Quasi-equity assets	Mudharib fees as a %age of Quasi-equity assets	Profit paid as a %age of Quasi-equity assets
2024	5.08	-	-	0.79	4.29
2023	5.36	-	-	1.29	4.07
2022	5.25	-	-	2.73	2.52
2021	5.60	-	-	3.02	2.58
2020	4.95	-	-	2.13	2.82

Following are the average profit rates declared and distributed to the investors by the Bank:

(Annualised rates)

Type of deposit	2024	2023	2022	2021	2020
1 month Mudharaba [1]	2.32%	2.56%	1.80%	1.42%	1.32%
3 months Mudharaba	4.85%	4.69%	2.77%	2.80%	3.28%
6 months Mudharaba	5.66%	5.33%	2.71%	2.93%	3.45%
12 months Mudharaba	5.41%	4.84%	3.02%	3.27%	3.71%
18 months Mudharaba	4.41%	4.70%	3.23%	3.39%	3.70%
24 months Mudharaba	5.47%	5.56%	4.27%	3.98%	5.88%
36 Months Mudharaba	4.47%	4.24%	3.38%	3.74%	2.10%
VIP Mudharaba	5.64%	5.40%	3.15%	3.40%	4.18%
Wakala	3.24%	3.34%	-	-	0.96%

[1] Includes saving account, Al-Wafer account, e-trade account, and call mudharaba accounts.

Market benchmark rates:

The Bank refers to the group of commercial Islamic banks incorporated in the Kingdom of Bahrain so as to benchmark the rate of return on Quasi-equity.

Quasi-equity account by type of assets:

The following table summarizes the movement in type of assets in which the Quasi-equity funds are invested and allocated among various type of assets for the year ended 30 June 2024:

Particular	Allocation at 1 January 2024	Movement	Allocation at 30 June 2024	Proportion of total assets (%)	% of funding by Quasi-equity as at 30 June 2024
Cash and bank balances	28,392	1,889	30,281	6.42%	**43.63%**
Placements with financial institutions	-	-	-	0.00%	**0.00%**
Financing contracts	378,813	(65,120)	313,693	66.48%	**52.24%**
Investment in Sukuk	83,863	(83)	83,780	17.76%	**15.68%**
Investment securities	26,893	425	27,318	5.79%	**37.63%**
Investment in real estate	17,198	(405)	16,793	3.56%	**51.29%**
Other assets	503	(503)	-	0.00%	**0.00%**
Total	**535,662**	**(63,797)**	**471,865**		

8.1 Quasi-equity *(continued)*

Percentage of Counterparty Type to Total Financing:
The following table shows percentage of counterparty type to total financing for the year ended 30 June 2024:

Gross financing Contracts*	Percentage of Counterparty Type to Total Financing					
	Self Financed		Quasi-equity		Total	
	BD'000	%	BD'000	%	BD'000	%
Murabaha	**86,022**	**21.62%**	**311,777**	**78.38%**	**397,799**	**100.00%**
Corporate	53,635	14.68%	311,777	85.32%	365,412	100.00%
Retail	32,387	100.00%	-	0.00%	32,387	100.00%
Mudharaba	**7,574**	**100.00%**	**-**	**0.00%**	**7,574**	**100.00%**
Corporate	7,574	100.00%	-	0.00%	7,574	100.00%
Retail	-	0.00%	-	0.00%	-	0.00%
Ijarah	**199,941**	**99.05%**	**1,916**	**0.95%**	**201,857**	**100.00%**
Corporate	72,609	97.43%	1,916	2.57%	74,525	100.00%
Retail	127,332	100.00%	-	0.00%	127,332	100.00%
Total	**293,537**	**48.34%**	**313,693**	**51.66%**	**607,230**	**100.00%**

*Net of expected credit loss (Stage 3) of BD 6,771 thousands.

Variations in Mudarib's agreed profit-sharing ratio from the contractually agreed ratio

	June 2024	2023	2022	2021	2020
Average mudarib share as a percentage of total income allocated to Quasi-equity	25.00%	28.13%	45.06%	53.73%	60.72%
Average mudarib share contractually agreed with Quasi-equity	64.17%	66.57%	68.56%	63.70%	63.89%
Average mudarib fees sacrificed by the Bank	39.18%	38.44%	23.50%	9.97%	3.17%

For details of assets that the Bank has pledged as collateral as of 30 June 2024, please refer to note 7 of the condensed consolidated interim financial information for the six months period ended 30 June 2024.

8.2 Off-balance-sheet assets under management (Restricted Investment Accounts (RIA's))

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					June 2024	2023	2022	2021	2020
RIA 1 – Safana	An investment structure designed to participate in the equity interest of Safana Investment WLL. A company established for the purpose of acquiring reclaimed land to subdivide and sell. In 2011, the Bank made an offer to buy back < BD 20,000 of each investors funds in RIA 1 at par. This offer was formalized in a letter to investors dated 25 May 2011. A total of 74 of the 95 RIA 1 investors accepted the offer at a cost of BD 1,220,000 to the Bank and resulting in a total of 39 investors being fully exited from the RIA. As a result, total investors funds have reduced to BD 8.34 million. KHALEEJI and NS12 (special purpose vehicle incorporated by the Bank on behalf of investors with the principle purpose of holding plots of lands in the Nurana Project) recently appointed Key Point to work out an in-kind exit scheme for the RIA investors by offering the 19 plots. Scheme documents has been received from Key Point and approved by KHALEEJI and NS 12 management to be circulated to investors. Approved Scheme Documents have been circulated by Key Point to all investors and followed by a workshop conducted at KHALEEJI offices on the 24th August 2016, to explain and answer any queries or information needed to exercise the Plots Application Forms. Last date of returned Application Forms was 7th September 2016, along with the Opening Date which was held at 24th Floor, KHALEEJI Offices managed and monitored by Key Point and witnessed By KHALEEJI employs; the result was 6 plots were allotted out of 19 plots. The in-kind exit scheme has been completed and an open auction held on 22nd November, 2016 to allow maximum opportunities to the Investors to re-participate once again on the remaining plots. KPMG was engaged by KHALEEJI to audit the whole In-kind exit process. Following the 3 allotment rounds of which RIA 1 investors participated, 6 plots have been allocated. Total revise fund BD 5,176,246 which included KHALEEJI and total remaining NS 12 BD 6,979,665 as at 31 December 2020. The Board of directors of KHALEEJI, in its meeting dated 6 May 2021 approved the consolidation and aggregation of its real estate and infrastructure exposures by offering a structured exit to its asset under management investors through a combination of cash and in-kind consideration therefore RIA investors have received an offer the exit the fund. As of 30 June 2024, the Group has acquired shares in RIA-1 amount BD 2.22mn, which was part of the assets transferred to Infracorp.	2007	61.78% over product tenor	Bullet payment on maturity	-	-	-	-	-

8.2 Off-balance-sheet assets under management (Restricted Investment Accounts (RIA's)) (continued)

RIA name	**Details**	**Launch date**	**Projected returns**	**Return frequency**	**Return annualized (%)**				
					June 2024	**2023**	**2022**	**2021**	**2020**
RIA 5 - North Gate	A restricted investment product which owns a 6.0% stake in Shaden Real Estate Investment WLL which in turn (through its subsidiaries), holds a parcel of reclaimed land measuring approximately 3.875 million Sq. Meters (located in Al-Hidd, Muharraq). The mixed-use plot will be sold to end users subsequent to the completion of infrastructure works. During Q1 2015, the Bank effected a buy-back option to all RIA investors for up to an amount of BD 30,000 plus 5% premium for all investors. RIA investors holding BD 30,000 and below was exited in full. A detailed letter was sent to all RIA investors in this regard. The offer was made valid up to 15 June 2015 AND during Q3 2015 the Bank paid 5.62% as partial redemption to the remaining investors. Moreover, during December 2018 dividend declared amount of BD 259,500 to all RIA investors and it was paid by following quarter. The Board of directors of KHALEEJI, in its meeting dated 6 May 2021 approved the consolidation and aggregation of its real estate and infrastructure exposures by offering a structured exit to its asset under management investors through a combination of cash and in-kind consideration therefore RIA investors have received an offer the exit the fund. As of 30 June 2024, the Group has acquired shares in RIA-1 amount BD 2.22mn, which was part of the assets transferred to Infracorp.	2008	90.66% over product tenor	Bullet return at maturity	-	-	-	-	-