

KHALEEJI COMMERCIAL BANK BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2023

Commercial registration	:	55133 (registered with Central Bank of Bahrain as a retail Islamic bank).
Office	:	Bahrain Financial Harbour GBCORP Tower PO Box 60002, Manama, Kingdom of Bahrain
Directors	:	Hisham Ahmed Al Rayes – Chairman Sh. Ahmed Bin Isa Khalifa Al Khalifa – Vice Chairman Reyadh Eid Al Yaqoob Mosobah Saif Al Mutairy Isa Abdulla Zainal Mazen Ibrahim Abdulkarim Salah Abdulla Sharif Hussain Sayed Ali Al Hussaini Ali Murad
Chief Executive Officer	:	Sattam Sulaiman Algozaibi
Board secretary	:	Mohammed Abdulla Saleh
External Auditors	:	KPMG Fakhro, Bahrain

KHALEEJI COMMERCIAL BANK BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023

CONTENTS	Page
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated interim financial information	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in owners' equity	4-5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of changes in restricted investment accounts	7
Condensed consolidated statement of sources and uses of zakah and charity fund	8
Notes to the condensed consolidated interim financial information	9-31



KPMG Fakhro
Audit
12th Floor, Fakhro Tower
P O Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: home.kpmg/bh
CR No. 6220

1

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

To the Board of Directors of

*Khaleeji Commercial Bank B.S.C.
Kingdom of Bahrain*

Introduction

We have reviewed the accompanying 31 March 2023 condensed consolidated interim financial information of Khaleeji Commercial Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2023;
- the condensed consolidated income statement for the three-month period ended 31 March 2023;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2023;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2023;
- the condensed consolidated statement of changes in restricted investment accounts for the three-month period ended 31 March 2023;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the three-month period ended 31 March 2023; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".


9 May 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2023

	Note	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
ASSETS			
Cash and bank balances		163,242	149,093
Placements with financial institutions		32,981	62,630
Investment in sukuk	7	560,976	523,332
Financing assets	8	311,949	321,135
Ijarah assets	9	202,865	183,725
Investment securities	10	33,428	33,637
Assets held-for-sale	11	4,341	4,341
Investment in real estate		96,573	96,947
Equity accounted investees	12	23,904	24,522
Other assets	13	27,712	22,901
Property and equipment		3,467	3,431
Total assets		1,461,438	1,425,694
LIABILITIES			
Placements from financial institutions		227,054	240,080
Placements from non-financial institutions and individuals		236,708	215,364
Term financing from financial institutions		163,739	130,955
Customers' current accounts		68,513	50,955
Other liabilities	14	24,216	25,437
Total Liabilities		720,230	662,791
Equity of investment account holders			
- From financial institutions	15	167,968	159,926
- From non-financial institutions and individuals	15	412,945	445,207
Total equity of investment account holders		580,913	605,133
OWNERS' EQUITY			
Share capital	16	84,783	84,783
Statutory reserve		11,510	11,510
Treasury shares		(6,254)	(6,254)
Investment fair value reserve		(6,462)	(5,790)
Retained earnings		19,368	16,171
Equity attributable to parent's shareholders		102,945	100,420
Perpetual Mudaraba (AT1)	17	47,222	47,222
Non-controlling interest		10,128	10,128
Total owners' equity		160,295	157,770
Total liabilities, equity of investment account holders, owners' equity		1,461,438	1,425,694

The Board of Directors approved the condensed consolidated interim financial information on 9 May 2023 and signed on its behalf by:


Hisham Ahmed Al Rayes
Chairman


Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman


Sattam Sulaiman Algozaibi
Chief Executive Officer

The accompanying notes 1 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2023

	Note	Three months ended 31 March 2023 BD '000 (Reviewed)	Three months ended 31 March 2022 BD '000 (Reviewed)
Income from financing and ijarah assets		10,261	8,002
Income from placements with financial institutions		755	39
Income from sukuk		8,276	4,754
Income from investment securities		555	374
Share of loss from equity accounted investees		(219)	(291)
Fees and other income, net	20	2,272	825
Total income before return to investment account holders		21,900	13,703
Less: Return to investment account holders before Bank's share as Mudarib		(8,135)	(8,049)
Bank's share as a Mudarib		2,803	4,838
Return to investment account holders		(5,332)	(3,211)
Finance expense on placements from financial institutions, non-financial institutions and individuals		(6,486)	(2,529)
Finance expense on term financing from financial institutions		(2,292)	(517)
Total income		7,790	7,446
Staff cost		1,801	2,284
Other operating expenses		1,659	1,072
Total expenses		3,460	3,356
Profit before impairment allowances		4,330	4,090
Net impairment charge	21	(578)	(642)
PROFIT FOR THE PERIOD		3,752	3,448
Attributable to:			
Shareholders of the parent		3,752	3,448
Non-controlling interest		-	-
		3,752	3,448
Earnings per share			
Basic and diluted earnings per share (fils)	22	4.69	4.29

Hisham Ahmed Al Rayes
Chairman

Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman

Sattam Sulaiman Algozaibi
Chief Executive Officer

The accompanying notes 1 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months period ended 31 March 2023

31 March 2023 (Reviewed)	Equity attributable to parent's shareholders					Perpetual Mudaraba (AT1) BD '000	Non- controlling interest BD '000	Total owners' equity BD '000	
	Share capital	Statutory reserve	Treasury shares	Investment fair value reserve	Retained earnings				Total
	BD '000	BD '000	BD '000	BD '000	BD '000				BD '000
Balance at 1 January 2023	84,783	11,510	(6,254)	(5,790)	16,171	100,420	47,222	10,128	157,770
Net fair value changes	-	-	-	(672)	-	(672)	-	-	(672)
Profit for the period	-	-	-	-	3,752	3,752	-	-	3,752
Total recognised income and expense for the period	-	-	-	-	3,752	3,752	-	-	3,752
Transfer to Zakah fund	-	-	-	-	(555)	(555)	-	-	(555)
Balance at 31 March 2023	84,783	11,510	(6,254)	(6,462)	19,368	102,945	47,222	10,128	160,295

The accompanying notes 1 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months period ended 31 March 2023 (Continued)

31 March 2022 (Reviewed)	Equity attributable to parent's shareholders					Perpetual Mudaraba (AT1)	Non- controlling interest	Total owners' equity	
	Share capital	Statutory reserve	Treasury shares	Investment fair value reserve	Retained earnings				Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	
Balance at 1 January 2022	89,212	10,110	(11,926)	187	11,493	99,076	47,222	11,093	157,391
Net fair value changes	-	-	-	(2,121)	-	(2,121)	-	-	(2,121)
Profit for the period	-	-	-	-	3,448	3,448	-	-	3,448
Total recognised income and expense for the period	-	-	-	-	3,448	3,448	-	-	3,448
Cancellation of treasury shares (note 16)	(4,429)	-	5,963	-	(1,534)	-	-	-	-
Loss of control	-	-	-	-	-	-	-	(965)	(965)
Transfer to Zakah fund	-	-	-	-	(395)	(395)	-	-	(395)
Balance at 31 March 2022	84,783	10,110	(5,963)	(1,934)	13,012	100,008	47,222	10,128	157,358

The accompanying notes 1 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months period ended 31 March 2023

	Three months ended 31 March 2023 BD '000 (Reviewed)	Three months ended 31 March 2022 BD '000 (Reviewed)
OPERATING ACTIVITIES		
Receipts from / (payment of) financing assets, net	18,281	(8,453)
Payments for Ijarah assets, net	(19,024)	(2,211)
Income received from short-term placements	755	39
Returns paid to investment account holders	(7,037)	(4,344)
(Withdrawals) / receipts from investment account holders, net	(24,220)	44,661
Payments for expenses	(5,377)	(1,758)
Other receipts	2,323	824
Contributions paid to charitable organisations	(2)	(2)
Receipts from customers' current accounts, net	17,558	2,106
(Payment to) / receipts from placements from financial institutions, net	(13,026)	5,349
Receipts / (withdrawals) from placements from non-financial institutions and individuals, net	21,345	(59,489)
Net (payments to) / receipts from CBB reserve account	(2,134)	465
Profit expense paid on placements	(6,486)	(2,529)
Net cash used in operating activities	(17,044)	(25,342)
INVESTING ACTIVITIES		
Purchase of sukuk	(56,585)	(112,496)
Proceeds from sale / redemption of sukuk	17,630	33,609
Income from sukuk received	7,566	5,047
Proceeds from disposal of investment in real estate	56	3,229
Movement in investment in real estate	(191)	-
Income from investment securities	15	3
Proceeds from disposal / redemption of investment securities	592	-
Purchase of property and equipment, net	(163)	(8)
Net movement in margin call	1,363	-
Net cash used in investing activities	(29,717)	(70,616)
FINANCING ACTIVITIES		
Drawdown of term borrowings, net	32,784	66,605
Finance expenses paid on term borrowings	(2,292)	(517)
Net cash generated from financing activities	30,492	66,088
Net decrease in cash and cash equivalents	(16,269)	(29,870)
Cash and cash equivalents at beginning of the period	174,338	135,216
Cash and cash equivalents at end of the period	158,069	105,346
Cash and cash equivalents comprises:		
Cash and bank balances (excluding CBB reserve)	135,313	76,301
Placement with financial institutions with original maturities of 90 days or less (excluding margin call account)	22,756	29,045
	158,069	105,346

The accompanying notes 1 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months period ended 31 March 2023

31 March 2023 (Reviewed)	Balance at 1 January 2023			Movements during the period					Balance at 31 March 2023			
	No of units	Average value per share	Total	Investment / (withdrawals)	Revaluation	Gross income	Dividends paid	Bank's fees as an agent	Adminstration expenses	No of units	Average value per share	Total
	(000)	BD	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	(000)	BD	BD '000
Safana Investment WLL (RIA 1) and NS 12	1,247	1.00	1,247	-	-	-	-	-	-	1,247	1.00	1,247
Shaden Real Estate Investment WLL (RIA 5)	269	1.00	269	-	-	-	-	-	-	269	1.00	269
			1,516	-	-	-	-	-	-			1,516

31 March 2022 (Reviewed)	Balance at 1 January 2022			Movements during the period					Balance at 31 March 2022			
	No of units	Average value per share	Total	Investment / (withdrawals)	Revaluation	Gross income	Dividends paid	Bank's fees as an agent	Adminstration expenses	No of units	Average value per share	Total
	(000)	BD	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	(000)	BD	BD '000
Safana Investment WLL (RIA 1) and NS 12	1,247	1.00	1,247	-	-	-	-	-	-	1,247	1.00	1,247
Shaden Real Estate Investment WLL (RIA 5)	269	1.00	269	-	-	-	-	-	-	269	1.00	269
			1,516	-	-	-	-	-	-			1,516

The accompanying notes 1 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND
for the three months period ended 31 March 2023

	Three months ended 31 March 2023 BD '000 (Reviewed)	Three months ended 31 March 2022 BD '000 (Reviewed)
Sources of Zakah and charity fund		
At 1 January	522	471
Contributions by the Bank	555	395
Non-Islamic income	7	3
Total sources	1,084	869
Uses of Zakah and charity fund		
Contributions to charitable organisations	(2)	(2)
Total uses	(2)	(2)
Undistributed Zakah and charity fund at end of the period	1,082	867

The accompanying notes 1 to 28 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

1 REPORTING ENTITY

Khaleeji Commercial Bank BSC (the “Bank”), a public shareholding company, was incorporated on 24 November 2004 in the Kingdom of Bahrain under Commercial Registration No. 55133. The Bank operates under an Islamic retail license granted by the Central Bank of Bahrain (“CBB”). The Bank, whose shares are listed on the Bahrain Bourse. The Bank’s Additional Tier 1 securities were listed on London Stock Exchange (International Securities Market) in 2020.

85.41% (31 December 2022: 85.41%) of the ordinary shares of the Bank are held by GFH Financial Group BSC (the “Parent”), a Bahraini incorporated investment bank operating under an Islamic wholesale banking license issued by the Central Bank of Bahrain (“CBB”) and whose shares are listed on Bahrain Bourse, Boursa Kuwait, Dubai Financial Markets (“DFM”) and Abu Dhabi Securities Exchange (“ADX”).

The condensed consolidated interim financial information comprises financial information of the Bank and its subsidiaries (together the “Group”). As of 31 December 2021, KHCB Board was committed to a plan to transfer assets amounting to BD 55.62 million to Infracorp BSC (c) under the terms of the program and BD 4.5 million to its asset management investors (as in-kind consideration). The plan included transfer of two subsidiaries. On 15 March 2022, transfer of assets was executed and assets as per the plan were transferred in exchange of sukuk of BD 54.17 million (refer note 11).

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard FAS 41, Interim Financial Reporting (“FAS 41”) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (“AAOIFI”).

The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2022.

These consolidated financial information are presented in Bahraini Dinars, being the functional and presentation currency of the Bank, rounded to the nearest thousand [BD ‘000], except where otherwise indicated.

Comparatives

The condensed consolidated interim financial information is reviewed, not audited. 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 2022 and comparatives for the condensed consolidated statements of income, changes in owners’ equity, cash flows, changes in restricted investment accounts and sources and uses of zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the three months ended 31 March 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group’s last audited consolidated financial statements as at and for the year ended 31 December 2022, except for those arising from adoption of the following standards and amendments to standards effective from 1 January 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

I. Relevant new standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2023

1) FAS 39 Financial Reporting for Zakah

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

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

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

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

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

2) FAS 41 Interim financial reporting

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

This standard is effective for financial statements for the period beginning on or after 1 January 2023.

The Group has adopted this standard for the basis of preparation of its condensed interim financial information. The adoption of this standard did not have any significant impact on the Group's condensed consolidated interim financial information.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the last audited consolidated financial statements for the year ended 31 December 2022.

5 ESTIMATES AND JUDGEMENTS

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the audited consolidated financial statements as at and for the year ended 31 December 2022.

6 SEASONALITY

The Bank does not have significant income of a seasonal nature.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

7 INVESTMENT IN SUKUK

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Debt type instruments - at amortised cost		
- Quoted sukuk*	443,175	404,822
- Unquoted sukuk	1,317	1,317
Less: impairment allowance	(1,600)	(1,524)
Debt type instruments – at fair value through equity		
-Quoted sukuk**	63,913	64,546
Equity type instruments – at fair value through equity		
-Quoted sukuk	54,171	54,171
	560,976	523,332

* As of 31 March 2023, out of sovereign sukuk of BD 399,150 thousand (31 December 2022: BD 361,174 thousand) and corporate sukuk of BD 44,025 thousand (31 December 2022: BD 43,648 thousand), BD 234,051 thousand (31 December 2022: BD 234,229 thousand) were pledged against term financing from financial institutions of BD 114,718 thousand (31 December 2022: BD 81,753 thousand).

** Fair value loss reserve amounted to BD 6,248 thousand (31 December 2022: BD 5,652 thousand).

8 FINANCING ASSETS

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Murabaha (net of deferred profit)	323,508	332,324
Mudaraba	6,769	6,536
Wakala	90	90
Gross financing assets	330,367	338,950
Less: Impairment allowance	(18,418)	(17,815)
Net financing assets	311,949	321,135

Murabaha financing assets are net of deferred profits of BD 20,364 thousand (31 December 2022: BD 18,900 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

8 *FINANCING ASSETS (continued)*

The movement in the financing assets is as follows:

31 March 2023 (Reviewed)	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI* BD '000	Total BD '000
Gross financing assets	257,773	52,984	17,655	1,955	330,367
Less: Impairment allowance					
At 1 January 2023	4,499	3,360	9,335	621	17,815
Net movement between stages	(720)	810	(90)	-	-
Net charge for the period	(593)	976	115	105	603
Write-off	-	-	-	-	-
Disposal	-	-	-	-	-
Impairment allowance at 31 March 2023	3,186	5,146	9,360	726	18,418
Net financing assets	254,587	47,838	8,295	1,229	311,949
31 December 2022 (Audited)	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI* BD '000	Total BD '000
Gross financing assets	287,696	32,271	17,032	1,951	338,950
Less: Impairment allowance					
At 1 January 2022	6,024	1,751	12,007	612	20,394
Net movement between stages	336	134	(470)	-	-
Net charge for the year	(1,861)	1,475	2,187	209	2,010
Write-off	-	-	(3,534)	-	(3,534)
Disposal	-	-	(855)	(200)	(1,055)
Impairment allowance at 31 December 2022	4,499	3,360	9,335	621	17,815
Net financing assets	283,197	28,911	7,697	1,330	321,135

* Purchased or originated credit impaired (POCI) assets are initially recognised at their fair value and subsequently remeasured for any change in ECL or expected recoverable amounts. The POCI assets are currently carried at 20.16% (31 December 2022: 20.74%) compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) are carried at 47.05% (31 December 2022: 44.05%) compared to their original contractual outstanding amounts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

9 IJARAH ASSETS

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Cost		
At 1 January	246,944	204,736
Additions during the period	24,252	58,289
Settlements/adjustments during the period	(1,202)	(16,081)
At period end	269,994	246,944
Accumulated depreciation		
At 1 January	58,479	47,030
Charge for period	4,976	17,465
Settlements during the period	(971)	(6,016)
At period end	62,484	58,479
Less: Impairment allowance	(4,645)	(4,740)
Net book value at period end	202,865	183,725

The movement in ijarah assets is as follows:

31 March 2023 (Reviewed)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Gross ijarah assets	177,828	21,248	8,434	207,510
Less: Impairment allowance				
At 1 January 2023	831	1,001	2,908	4,740
Net movement between stages	109	(60)	(49)	-
Net charge for the period	(522)	28	399	(95)
Impairment allowance at 31 March 2023	418	969	3,258	4,645
Net ijarah assets	177,410	20,279	5,176	202,865

31 December 2022 (Audited)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Ijarah assets	159,813	21,935	6,717	188,465
Less: Impairment allowance				
At 1 January 2022	242	929	4,141	5,312
Net movement between stages	570	(403)	(167)	-
Net charge for the year	19	475	(168)	326
Disposal	-	-	(898)	(898)
Impairment allowance at 31 December 2022	831	1,001	2,908	4,740
Ijarah assets carrying amount	158,982	20,934	3,809	183,725

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

10 INVESTMENT SECURITIES

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Equity type instruments:		
<i>At fair value through income statement</i>		
- Structured notes		
At 1 January	14,900	15,531
Accrued profit	129	516
Redemption	-	(763)
Changes in fair value	(29)	(384)
	15,000	14,900
<i>At fair value through equity</i>		
Unquoted equity securities	18,428	18,737
	18,428	18,737
	33,428	33,637

11 ASSETS HELD-FOR-SALE

The Board of Directors of KHCB, in its meeting dated 6 May 2021, had 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.

During 2021, the Group had acquired shares in and assets held by various real estate entities under management amounting to BD 22.27 million, which was part of the assets to be transferred to Infracorp.

The shareholders in their annual general meeting dated 24 March 2022 approved the transfer of the Bank's development properties and investment in real estate up to USD 200 million (BD 75.4 million) to Infracorp for an in-kind consideration in the form of Sukuk and/or equity shares issued by Infracorp.

During 2022, KHCB transferred assets amounting to BD 54,171 thousand to Infracorp under the terms of the program and BD 4.3 million are part of a committed plan for transfer to its asset management investors (as in-kind consideration). As of 31 March 2023, the settlement process is pending the requisite regulatory approvals for separation of title deeds. Accordingly, these assets were classified as held-for-sale. In addition, in the period ended 31 March 2022 the Group sold investments in real estate with carrying value of BD 3 million.

The above transfers are subject to requisite corporate and regulatory approvals and are expected to be concluded within 12 months of the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

12 EQUITY ACCOUNTED INVESTEEES

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
At beginning of the period	24,522	25,268
(Sale)/additions	(405)	506
Share of loss for the period	(213)	(1,252)
At end of the period	23,904	24,522

13 OTHER ASSETS

	31 March 2023 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Profit accrued on Sukuk	7,128	5,779
Right-of-use asset	1,645	499
Prepaid expenses	910	870
Due from investments	312	279
Receivable from customers	4,564	4,564
Repossessed assets	5,481	4,938
Other receivables	7,672	5,972
	27,712	22,901

Below are further details related to the right of use asset:

	31 March 2023 BD '000 (Reviewed)
Balance as at 1 Jan	499
Additional right-of-use assets for the period, net	1,266
Amortisation charge during the period	(120)
Balance as at 31 March	1,645

	31 December 2022 BD '000 (Audited)
Balance as at 1 Jan	820
Additional right-of-use assets for the year, net	228
Amortisation charge during the year	(549)
Balance as at 31 December	499

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

14 OTHER LIABILITIES

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Payable to investors*	10,476	10,542
Mudaraba profit accrual	3,266	4,970
Net Ijarah liability	1,613	404
Advance received from customers	109	231
Zakah and charity payable	1,082	522
Employee related accruals	972	1,453
Payable for Istisna'a contracts	27	27
Other payables and accrued expenses**	6,671	7,288
	24,216	25,437

* relates to cash settlement with investors on account of restructuring.

** includes impairment allowance on commitments and financial guarantees of BD 57 thousand (31 December 2022: BD 64 thousand).

The breakup of the Net Ijarah liability per maturity analysis is as follows:

Net Ijarah Liability

	31 March 2023 (reviewed)		
	Gross Ijarah liability BD '000	Deferred Ijarah BD '000	Net Ijarah liability BD '000
Maturity analysis			
Less than one year	407	(5)	402
One to five years	1,314	(103)	1,211
Total	1,721	(108)	1,613

	31 December 2022 (audited)		
	Gross Ijarah liability BD '000	Deferred Ijarah BD '000	Net Ijarah liability BD '000
Maturity analysis			
Less than one year	143	(7)	136
One to five years	295	(27)	268
Total	438	(34)	404

15 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
From financial institutions	167,968	159,926
From non-financial institutions and individuals	412,945	445,207
	580,913	605,133

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

15 EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

The funds received from investment account holders have been commingled and jointly invested with the Group in the following asset classes:

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Balances with banks	106,688	94,191
CBB reserve account	27,929	25,795
Placements with financial institutions	32,981	62,631
Debt type instruments – sukuk	326,389	172,029
Financing assets	86,926	250,487
	580,913	605,133

16 SHARE CAPITAL

The shareholders, in their extraordinary general meeting dated 24 March 2022, approved the cancellation of the Bank's issued and paid-up capital by BD 4,428,895 through cancellation of 44,228,946 treasury shares of BD 0.100 each and accumulated losses of BD 1,534 thousand. As at 31 March 2023 the Bank's paid capital was BD 84,783,053 (31 December 2022: BD 84,783,053) representing 847,830,534 shares (31 December 2022: 847,830,534 shares).

The shareholders, in their annual general meeting dated 24 March 2022, approved the amendments to the share incentive scheme. In line with the revised scheme 104,734 shares (unallocated) were transferred from the KHCB employee benefit Trust to the Bank as treasury shares. During 2022, the KHCB employee benefit Trust was terminated.

17 PERPETUAL MUDARABA (AT1)

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Perpetual Mudaraba	47,222	47,222
	47,222	47,222

The Bank issued a Perpetual Mudaraba (Basel III compliant Additional Tier 1 capital securities) of face value of US\$ 159 million (BD 60 million). Such capital was raised in order to meet minimum regulatory requirements relating to total equity as prescribed by Central Bank of Bahrain. The carrying value is net of issuance costs.

The Perpetual Mudaraba is recognized under the owners' equity in the condensed consolidated interim statement of financial position and the profits paid to rab al-maal (security holder) are accounted for as appropriation of profits.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

17 PERPETUAL MUDARABA (AT1) (continued)

Summary of key terms and conditions are as follows:

- Profits on these securities shall be distributed on a semi-annual basis subject to and in accordance with terms and conditions on the outstanding nominal value of the securities at an expected rate of 10% p.a.
- Security holder will not have a right to claim the profits and such event will not be considered as event of default.
- In the event of non-viability, the certificates will be converted either in full or in part on a pro rata basis in accordance with the terms of the certificate which require conversion at the fair value of the Bank's share at the time of such non-viability event.
- The Certificates carry a call option after 5 years from the date of issue, subject to approval of the Central Bank of Bahrain.

During the period, the Group paid profit distribution on its AT1 to the its holders for an amount of BD nil thousand (2022: BD 6,000 thousand).

18 COMMITMENTS AND CONTINGENCIES

	31 March 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
Undrawn commitments to extend finance*	33,016	37,894
Financial guarantees	15,206	15,896
Lease commitments	-	1,310

* The Group has a right to revoke the undrawn commitment to extend finance prior to expiry of its tenor.

During the period, a net impairment reversal of BD 7 thousand (2022: BD 3 thousand) has been reflected in relation to the credit risk on these for commitments and contingent liabilities.

Litigations and claims

In the normal course of business, legal cases are filed by the Bank against its customers and against the Bank by its customers or investors. The Group's legal department engages with in-house legal counsel and external legal counsel depending on the nature of the cases. A periodic assessment is carried out to determine the likely outcome of these legal cases and is reported to the senior management and Board of directors.

19 Appropriations of net profit, if any, are made only after obtaining approval of the shareholders.

20 FEES AND OTHER INCOME, NET

	31 March 2023 BD '000 (Reviewed)	31 March 2022 BD '000 (Reviewed)
Fees income	179	255
Foreign exchange gain	116	167
Recovery of written-off assets	1,969	403
Others	8	-
	2,272	825

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

21 NET IMPAIRMENT CHARGE

	31 March 2023 BD '000 (Reviewed)	31 March 2022 BD '000 (Reviewed)
Balances and placements with banks and financial institutions	1	18
Financing assets (note 8)	603	1,314
Investments in sukuk (note 7)	76	(7)
Ijarah assets (note 9)	(95)	(679)
Commitments and financial guarantees (note 18)	(7)	(4)
	578	642

Movement on ECL in various stages during the period:

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI BD '000	Total BD '000
31 March 2023 (Reviewed)					
ECL balance at 1 January	5,594	4,362	13,568	620	24,144
Transfer to Stage 1	288	(189)	(99)	-	-
Transfer to Stage 2	(909)	958	(49)	-	-
Transfer to Stage 3	(5)	(4)	9	-	-
Net movement	(626)	765	(139)	-	-
Charge for the period (net)	(1,043)	1,005	514	102	578
ECL balance as at 31 March 2023	3,925	6,132	13,943	722	24,722

31 March 2023 (Reviewed)

	Stage 1: 12- month ECL BD '000	Stage 2: Life time ECL non-credit impaired BD '000	Stage 3: Life time ECL credit impaired * BD '000	Total BD '000
Balances and placements with banks and financial institutions	1	-	-	1
Financing assets (note 8)	3,186	5,147	10,085	18,418
Investments in sukuk	283	-	1,318	1,601
Ijarah assets (note 9)	418	969	3,258	4,645
Commitments and financial guarantees	35	16	6	57
	3,923	6,132	14,667	24,722

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

21 *NET IMPAIRMENT CHARGE (continued)*

31 March 2022 (Reviewed)	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI BD '000	Total BD '000
ECL balance at 1 January	6,949	2,680	17,471	612	27,712
Transfer to Stage 1	767	(579)	(188)	-	-
Transfer to Stage 2	(60)	80	(20)	-	-
Transfer to Stage 3	(4)	-	4	-	-
Net movement	703	(499)	(204)	-	-
Charge for the period (net)	91	23	466	62	642
ECL balance as at 31 March	7,743	2,204	17,733	674	28,354

31 March 2022 (Reviewed)	Stage 1: 12- month ECL BD '000	Stage 2: Life time ECL non- credit impaired BD '000	Stage 3: Life time ECL credit impaired * BD '000	Total BD '000
Balances and placements with banks and financial institutions	18	-	-	18
Financing assets (note 8)	6,674	1,948	13,086	21,708
Investments in sukuk	484	-	-	484
Ijarah assets (note 9)	382	255	3,996	4,633
Investment securities	111	-	1,317	1,428
Commitments and financial guarantees	74	1	7	82
	7,743	2,204	18,407	28,354

* Stage 3: Life time ECL credit impaired includes POCI

22 **EARNINGS PER SHARE**

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

	Three months ended	
	31 March 2023 BD '000 (Reviewed)	31 March 2022 BD '000 (Reviewed)
Profit for the period attributable to the shareholders of the parent	3,752	3,448
Less: Profit distribution on AT 1 Capital	-	-
Profit for the period attributable to the shareholders of the parent for basic and diluted earnings per share computation	3,752	3,448
Weighted average number of shares outstanding during the period, net of treasury shares (thousand)	800,242	803,645
Basic and diluted earnings per share (fils)	4.69	4.29

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

22 *EARNINGS PER SHARE (continued)*

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

23 **ASSETS UNDER MANAGEMENT**

The Group provides corporate administration, investment management and advisory services to its investment entities, which involves 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 BD 197.94 million (31 December 2022: BD 196.99 million). During the year, the Group has not charged any management fees (2022: BD Nil) for the management of these assets. The Group has outsourced the day to day management of the assets under management to its Parent for no additional cost.

24 **SIGNIFICANT RELATED PARTY TRANSACTIONS**

The significant related party transactions and balances included in this condensed consolidated interim financial information are as follows:

31 March 2023
(Reviewed)

	Associates	Directors / Key management personnel and shari'a board members	Parent / related entities / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Assets					
Financing assets	-	4,185	6,183	-	10,368
Investment in sukuk	-	-	54,171	-	54,171
Investment securities	-	-	2,284	4,393	6,677
Equity accounted investees	23,904	-	-	-	23,904
Other assets	17	-	830	79	926
Liabilities					
Placement from financial institutions, non-financial institutions and individuals	-	1,906	86,790	-	88,696
Customers' current accounts	924	67	7,807	460	9,258
Equity of investment account holders	337	2,111	189,178	201	191,827
Other liabilities	-	477	-	-	477

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

24 **SIGNIFICANT RELATED PARTY TRANSACTIONS** (continued)

Three months ended
31 March 2023
 (Reviewed)

	Associates	Directors / Key management personnel and shari'a board members	Parent / related entities / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Income					
Income from financing and Ijarah assets	-	60	50	-	110
Income from Sukuk	-	-	1,083	-	1,083
Income from investment securities	-	-	-	422	422
Share of loss from equity accounted investees	(219)	-	-	-	(219)
Expenses					
Finance expense on placements from financial institutions, non- financial institutions and individuals	-	20	454	-	474
Return to investment account holders	4	21	1,634	2	1,661
Staff cost	-	396	-	-	396
Other operating expenses	-	258	-	5	263

31 December 2022
 (Audited)

	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Assets					
Financing assets	-	3,171	6,902	-	10,073
Investment in sukuk	-	-	54,171	-	54,171
Investment securities	-	-	2,284	4,461	6,745
Equity accounted investees	24,522	-	-	-	24,522
Other assets	17	-	272	46	335
Liabilities					
Placement from financial institutions, Non- non-financial institutions and individuals	-	1,274	86,222	-	87,496
Customers' current accounts	723	69	5,572	451	6,815
Equity of investment account holders	362	1,084	226,111	219	227,776

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Three months ended 31 March 2022 (Reviewed)	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Income					
Income from financing and Ijarah assets	-	68	117	-	185
Share of loss from equity accounted investees	(290)	-	-	-	(290)
Expenses					
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	6	-	-	6
Return to investment account holders	3	2	823	1	829
Staff cost	-	140	-	-	140
Other operating expenses	-	96	-	6	102

During the period ended 31 March 2023, there were 2 land plots sold to a board member at their carrying value. The total carrying value for these lands was BHD 558 thousand.

25 SEGMENT INFORMATION

31 March 2023
(Reviewed)

Segment revenue
Segment results
Segment assets

Corporate and Retail Banking BD '000	Investment Banking BD '000	Unallocated BD '000	Total BD '000
21,550	350	-	21,900
5,780	88	(2,116)	3,752
1,278,880	164,699	17,859	1,461,438

31 March 2022
(Reviewed)

Segment revenue
Segment results
Segment assets

Corporate and Retail Banking BD '000	Investment Banking BD '000	Unallocated BD '000	Total BD '000
13,618	85	-	13,703
5,633	(143)	(2,042)	3,448
923,898	293,863	10,353	1,228,114

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

26 FINANCIAL INSTRUMENTS

a) 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.

The fair value of quoted Sukuk carried at amortised cost (net of impairment allowance) of BD 443,175 thousand (31 December 2022: BD 404,821 thousand) is BD 393,771 thousand as at 31 March 2023 (31 December 2022: BD 392,127 thousand).

In case of financing assets and lease receivables, the average profit rate of the portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the current value would not be materially different to fair value of these assets. The estimated fair values of the Group's other financial instruments are not significantly different from their carrying values due to their short-term nature.

b) 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 2023 (Reviewed)

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Structured notes at fair value through income statement	-	15,000	-	15,000
Debt-type sukuk at fair value through equity	-	63,913	-	63,913
Equity-type sukuk at fair value through equity	-	54,171	-	54,171
Equity-type securities carried at fair value through equity	-	-	18,428	18,428
	-	133,084	18,428	151,512

31 December 2022 (Audited)

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Structured notes at fair value through income statement	-	14,900	-	14,900
Debt-type sukuk at fair value through equity	-	64,546	-	64,546
Equity-type sukuk at fair value through equity	-	54,171	-	54,171
Equity-type securities carried at fair value through equity	-	-	18,738	18,738
	-	133,617	18,738	152,355

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

26 *FINANCIAL INSTRUMENTS (continued)*

The following table analyses the movement in Level 3 financial assets during the three month period ended 31 March 2023:

	31 March 2023 BD '000 (Reviewed)	31 March 2022 BD '000 (Reviewed)
At 1 January	18,738	15,353
Fair value loss in income statement	(14)	(14)
Movement in investment fair value reserve	(79)	147
Transfer from assets held for sale	-	1,445
Sales	(217)	-
	18,428	16,931

During the three month periods ended 31 March 2023 and 31 March 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

The potential effect of using reasonable possible alternative assumptions for fair valuing equity investments classified as level 3 are summarised below:

31 March 2023 (Reviewed)

Valuation technique used	Key unobservable inputs	Fair value at 31 March 2023 BD '000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Enterprise value to EBITDA	2,817	+/- 5%	10 / (10)
Market multiples approach	Price to book value	5,101	+/- 5%	21 / (21)
Market multiples approach	Price to total assets	1,142	+/- 5%	12 / (12)
Discounted cash flow	Cost of equity and terminal growth rate	735	+/- 5%	27 / (27)
Adjusted Net Asset Value	Change in net asset value	8,633	+/- 5%	432 / (432)
		18,428		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

26 *FINANCIAL INSTRUMENTS (continued)*

31 December 2022 (Audited)

Valuation technique used	Key unobservable inputs	Fair value at 31 March 2023 BD '000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Enterprise value to EBITDA	2,817	+/- 5%	94 / (94)
Market multiples approach	Price to book value	5,101	+/- 5%	157 / (157)
Market multiples approach	Price to total assets	1,142	+/- 5%	12 / (12)
Discounted cash flow	Cost of equity and terminal growth rate	735	+/- 5%	27 / (27)
Adjusted Net Asset Value	Change in net asset value	8,943	+/- 5%	447 / (447)
		18,738		

(i) Instruments not measured at fair value

Set out below is a comparison of the carrying amounts and fair values of financial instruments:

31 March 2023

Financial assets:

Investment in sukuk
 Financing assets
 Ijarah assets
 Investment securities

	Carrying amount BD '000 (Reviewed)	Fair value BD '000 (Reviewed)
	560,976	511,723
	311,949	311,949
	202,865	202,865
	33,428	33,428
	1,109,218	1,059,965
Financial liabilities:		
Customers' current accounts	68,513	68,513

31 December 2022

Financial assets:

Investment in sukuk
 Financing assets
 Ijarah assets
 Investment securities

	Carrying amount BD '000 (Audited)	Fair value BD '000 (Audited)
	523,332	510,674
	321,135	321,135
	183,725	183,725
	33,637	33,637
	1,061,829	1,049,171
Financial liabilities:		
Customers' current accounts	50,955	50,955

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

26 *FINANCIAL INSTRUMENTS (continued)*

Other financial instruments

Placements with financial institutions and placements from financial institutions are for short term tenure hence their carrying value is not different from the fair value. Placements from non-financial institutions and individuals which are not short term are re-priced at regular intervals hence carrying value approximates its fair value. Fair value of other financial assets and liabilities are not significantly different from their carrying values due to their short term nature.

27 **REGULATORY RATIOS**

a. Liquidity Coverage Ratio (LCR)

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days. As at 31 March 2023, the Bank is required to maintain LCR greater than 155.94%. As of 31 March 2023, the Bank had LCR ratio of 154.94% (31 December 2022: 137.64%)

b. 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".

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, as of 31 March 2023 is as follows:

	Unweighted values (i.e. before applying relevant factors)				Total weighted value BD '000
	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	159,291	-	-	10,055	169,346
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	54,878	12,548	7,677	71,732
Less Stable deposits	-	122,523	97,120	47,557	245,236
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	637,173	198,718	99,649	280,955
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	24,360	-	-	-
Total ASF	159,291	838,934	308,386	164,938	767,269

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

27 *REGULATORY RATIOS (continued)*

b. Net stable funding Ratio (NSFR) (continued)

Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	494,723	-	-	-	24,098
Performing financing assets and loans / securities					
Performing loan to financial institutions secured by level 1 HQLA	-	-	-	-	-
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	129,445	-	-	19,417
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	68,849	35,481	318,534	317,799
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	25,598	16,639
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	87,769	57,050
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	111,913	23,993	-	99,096	213,253
Other Assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a compliant hedging contracts and contributions to default funds of CCPS	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a compliant hedging contracts liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	81,754	-	-	-	81,754
OBS items	49,738	-	-	-	2,487
Total RSF	738,128	222,287	35,481	505,399	715,858
NSFR%					107.18%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

27 *REGULATORY RATIOS (continued)*

b. Net stable funding Ratio (NSFR)

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, as of 31 December 2022 is as follows:

	Unweighted values (i.e. before applying relevant factors)				Total weighted value BD '000
	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	
<u>Available Stable Funding (ASF):</u>					
Capital:					
Regulatory Capital	157,608	-	-	9,958	167,566
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	59,644	5,689	9,832	71,898
Less Stable deposits	-	152,486	31,360	60,229	225,690
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	700,308	99,927	123,928	290,305
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	25,581	-	-	-
Total ASF	157,608	938,019	136,977	203,947	755,459

<u>Required Stable Funding (RSF):</u>					
Total NSFR high-quality liquid assets (HQLA)	445,706	-	-	-	21,892
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	157,709	-	-	23,656
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	86,291	32,278	294,940	305,247
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	23,679	15,391
Performing residential mortgages With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	87,769	57,050
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	112,550	32,663	-	99,182	213,186
All other assets not included in the above categories	77,003	-	-	-	77,003
OBS items	53,790	-	-	-	2,689
Total RSF	689,048	276,664	32,278	481,890	700,724
NSFR%					107.81%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2023

27 *REGULATORY RATIOS (continued)*

c. *Capital Adequacy Ratio*

	31 March 2023 BD '000	31 December 2022 BD '000
CET 1 Capital before regulatory adjustments	112,071	110,385
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	112,071	110,385
<i>T1 Capital</i>	47,222	47,222
T 2 Capital adjustments	10,014	9,703
Regulatory Capital	169,307	167,310
Risk weighted exposure:		
Credit Risk Weighted Assets	801,117	776,223
Market Risk Weighted Assets	7,631	7,625
Operational Risk Weighted Assets	73,146	73,146
Total Regulatory Risk Weighted Assets	881,894	856,994
Investment risk reserve (30% only)	-	-
Profit equalization reserve (30% only)	-	-
Total Adjusted Risk Weighted Exposures	881,894	856,994
Capital Adequacy Ratio	19.20%	19.52%
Tier 1 Capital Adequacy Ratio	18.06%	18.39%
Minimum required by CBB	12.5%	12.5%

28 **COMPARATIVE FIGURES**

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.