

KHALEEJI BANK B.S.C.

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

31 March 2024

Commercial registration:	55133 (registered with Central Bank of Bahrain as a retail Islamic bank).
Office:	Bahrain Financial Harbour GFH Tower PO Box 60002, Manama, Kingdom of Bahrain
Directors:	Hisham Ahmed Al Rayes – Chairman Sh. Ahmed Bin Isa Khalifa Al Khalifa – Vice Chairman Ali Murad H.E Ayman Tawfeeq Almoayed (Appointed on 25 th March 2024) Sh. Fahad Ebrahim Al Khalifa (Appointed on 25 th March 2024) Hesham A.Rahman AlBinali (Appointed on 25 th March 2024) Sh. Isa bin Khalid Al Khalifa (Appointed on 25 th March 2024) Mazen Ibrahim Abdulkarim Reyadh Eid Al Yaqoob Yusuf Abdulla Taqi (Appointed on 25 th March 2024)
Directors (Resigned on 25 th March):	Hussain Sayed Ali Al Hussaini Isa Abdulla Zainal Mosobah Saif Al Mutairy Salah Abdulla Sharif
Chief Executive Officer:	Sattam Sulaiman Algozaibi
Board secretary:	Mohammed Abdulla Saleh
External Auditors:	KPMG Fakhro, Bahrain

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three-month period ended 31 March 2024

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

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

Introduction

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

- the condensed consolidated statement of financial position as at 31 March 2024;
- the condensed consolidated statement of income for the three-month period ended 31 March 2024;
- the condensed consolidated statement of total comprehensive income for the three-month period ended 31 March 2024;
- the condensed consolidated statement of income and attribution related to quasi-equity for the three-month period ended 31 March 2024;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2024;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2024;
- the condensed consolidated statement of changes in off-balance sheet assets under management for the three-month period ended 31 March 2024; and
- notes to the condensed consolidated interim financial information.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2024 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

9 May 2024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION


As at 31 March 2024

	Note	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
ASSETS			
Cash and bank balances		37,298	116,383
Placements with financial institutions		78,448	124,190
Investment in sukuk	7	528,932	522,746
Financing contracts	8	621,235	548,287
Investment securities	9	38,537	38,570
Investment in real estate		69,215	97,787
Equity accounted investees	10	24,446	24,689
Other assets	11	27,268	26,277
Property and equipment		3,369	3,489
TOTAL ASSETS		1,428,748	1,502,418
LIABILITIES			
Placements from financial institutions		177,101	237,773
Placements from non-financial institutions and individuals		286,534	206,518
Term financing from financial institutions		262,659	264,362
Customers' current accounts		84,118	77,880
Other liabilities	12	20,564	22,829
TOTAL LIABILITIES		830,976	809,362
QUASI-EQUITY			
- From financial institutions		28,564	68,054
- From non-financial institutions and individuals		449,488	467,608
TOTAL QUASI-EQUITY	13	478,052	535,662
OWNERS' EQUITY			
Share capital	14	113,044	84,783
Statutory reserve		12,410	12,410
Treasury shares		(6,254)	(6,254)
Investment fair value reserve		(7,248)	(7,165)
Retained earnings		7,181	17,719
Equity attributable to parent's shareholders		119,133	101,493
Perpetual Mudaraba (AT1)	15	-	47,222
Equity attributable to owners' of the parent		119,133	148,715
Non-controlling interest		587	8,679
TOTAL OWNERS' EQUITY		119,720	157,394
TOTAL LIABILITIES, QUESI-EQUITY AND OWNERS' EQUITY		1,428,748	1,502,418

The Board of Directors approved the condensed consolidated interim financial information on 9 May 2024 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 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the three-month period ended 31 March 2024

	Note	Three months ended 31 March 2024 BD '000 (Reviewed)	Three months ended 31 March 2023 BD '000 (Reviewed)
Income from financing contracts		11,765	10,261
Income from placements with financial institutions		2,024	755
Income from sukuk		7,293	8,276
Finance expense on placements from financial institutions, non-financial institutions and individuals		(7,276)	(6,486)
Finance expense on term financing from financial institutions		(4,203)	(2,292)
Net income from jointly financed assets		9,603	10,514
Income from investment securities		304	555
Income from investment in real estate, net	17	1,557	8
Share of loss from equity accounted investees		(242)	(219)
Fees and other income, net	18	1,680	2,264
TOTAL INCOME		12,902	13,122
Staff cost		1,839	1,801
Other operating expenses		2,032	1,659
TOTAL EXPENSE		3,871	3,460
Net operating income before impairment allowances and attribution to quasi equity		9,031	9,662
Allowances for impairment and expected credit losses, net	19	(789)	(578)
Profit for the period before attribution to quasi-equity		8,242	9,084
Less: Net profit attributable to quasi-equity		(5,234)	(5,332)
PROFIT FOR THE PERIOD		3,008	3,752
Attributable to:			
Owners' of the parent		3,008	3,752
Non-controlling interest		-	-
		3,008	3,752
Earnings per share			
Basic and diluted earnings per share (fils)	20	3.69	4.69

Hisham Ahmed Al Rayes
Chairman

Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman

Sattam Sulaiman Algozaibi
Chief Executive Officer

The accompanying notes 1 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the three-month period ended 31 March 2024

	Three months ended 31 March 2024 BD '000 (Reviewed)	Three months ended 31 March 2023 BD '000 (Reviewed)
Profit for the period	3,008	3,752
Other comprehensive income		
Items that may subsequently be classified to statement of income		
Fair value changes on debt investments carried at fair value through other comprehensive income	103	(595)
Fair value changes on equity investments carried at fair value through other comprehensive income	(238)	(77)
Attributable to quasi-equity	52	-
Total other comprehensive income for the period	(83)	(672)
Total comprehensive income	2,925	3,080
Attributable to:		
Owners' of the parent	2,925	3,080
Non-controlling interest	-	-
	2,925	3,080

The accompanying notes 1 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY**For the three-month period ended 31 March 2024**

Note	Three months ended 31 March 2024 BD '000 (Reviewed)	Three months ended 31 March 2023 BD '000 (Reviewed)
Net operating income before impairment allowances and attribution to quasi equity	9,031	9,662
Adjusted for:		
Less: Income not attributable to quasi-equity	(3,299)	(2,608)
Add: Profit expense on due to banks and non-banks	11,479	8,778
Add: Expenses not attributable to quasi-equity	3,871	3,460
Less: Institution's share of income for its own/ share of investments	(15,466)	(11,152)
Less: Allowance for impairment allowances attributable to quasi-equity	860	(5)
Total income available for quasi-equity holders	6,476	8,135
Fair value reserve – net movement	-	-
Profit equalization reserve – net movement	-	-
Total income attributable to quasi-equity holders (adjusted for reserves)	6,476	8,135
Less: Mudarib's share	(1,215)	(2,803)
Less: Wakala fees	(27)	-
Net income attributable to quasi-equity	5,234	5,332
Investment risk reserve -net movement	-	-
Profit attributable to quasi-equity	5,234	5,332
Other comprehensive income that may subsequently be classified to statement of income – attributable to quasi-equity	(52)	
Total comprehensive income – attributable to quasi-equity	5,182	5,332
Add: Other comprehensive income not subject to immediate distribution	52	-
Other comprehensive income subject to immediate distribution	5,234	5,332
Net profit attributable to quasi-equity	5,234	5,332

The accompanying notes 1 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the three-month period ended 31 March 2024

31 March 2024 (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 2024	84,783	12,410	(6,254)	(7,165)	17,719	101,493	47,222	8,679	157,394
Profit for the period	-	-	-	-	3,008	3,008	-	-	3,008
Other comprehensive income	-	-	-	(83)	-	(83)	-	-	(83)
Total comprehensive income for the period	-	-	-	(83)	3,008	2,925	-	-	2,925
Transfer to Zakah fund	-	-	-	-	(768)	(768)	-	-	(768)
Redemption of AT1 (Note 15)	-	-	-	-	(12,778)	(12,778)	(18,961)	-	(31,739)
Conversion of AT1 (Note 14,15)	28,261	-	-	-	-	28,261	(28,261)	-	-
Sale of shares in subsidiary	-	-	-	-	-	-	-	(8,092)	(8,092)
Balance at 31 March 2024	113,044	12,410	(6,254)	(7,248)	7,181	119,133	-	587	119,720

The accompanying notes 1 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the three-month period ended 31 March 2024 (Continued)

	Equity attributable to parent's shareholders					Perpetual Mudaraba (AT1) BD '000	Non- controlling interest BD '000	Total owners' equity BD '000
	Share Capital BD '000	Statutory reserve BD '000	Treasury shares BD '000	Investment fair value reserve BD '000	Retained earnings BD '000			
31 March 2023 (Reviewed)								
Balance at 1 January 2023	84,783	11,510	(6,254)	(5,790)	16,171	100,420	47,222	157,770
Profit for the period	-	-	-	-	3,752	3,752	-	3,752
Other comprehensive income	-	-	-	(672)	-	(672)	-	(672)
Total comprehensive income for the period	-	-	-	(672)	3,752	3,080	-	3,080
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	160,295

The accompanying notes 1 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three-month period ended 31 March 2024

	Three months ended 31 March 2024 BD '000 (Reviewed)	Three months ended 31 March 2023 BD '000 (Reviewed)
OPERATING ACTIVITIES		
Profit for the period	3,008	3,752
Adjustments:		
Depreciation	432	347
Finance expenses on medium term financing	4,203	2,292
Allowances for impairment and expected credit losses, net	789	578
Amortization of premium/discount	128	685
Fair value gains	(39)	30
Foreign exchange revaluation	(285)	(162)
Amortization of right-of-use asset	94	120
Investment securities income	(129)	(129)
Gain on sale of investment in sukuk	(525)	(330)
Gain on sale of investment in real estate	(1,820)	-
Share of results of associates, net	242	219
Operating profit before changes in operating assets and liabilities	6,098	7,402
Mandatory reserve with Central Bank of Bahrain	630	(2,134)
Financing contracts	(72,948)	(9,953)
Other assets	(989)	(4,812)
Customers' current accounts	6,237	17,558
Other liabilities	(3,574)	(9,204)
Placements from financial institutions	(60,672)	(13,026)
Placements from non-financial institutions and individuals	80,015	21,345
Quasi-equity	(57,609)	(24,220)
Net cash used in operating activities	(102,812)	(17,044)
INVESTING ACTIVITIES		
Purchase of sukuk	(52,120)	(56,585)
Proceeds from sale / redemption of sukuk	46,234	25,196
Sale / (purchase) of investment in real estate	21,800	(135)
Proceeds from disposal / redemption of investment securities	256	607
Purchase of property and equipment, net	(101)	(163)
Net movement in margin call	996	1,363
Net cash generated from / (used in) investing activities	17,065	(29,717)
FINANCING ACTIVITIES		
Drawdown of term financing, net	(1,703)	32,784
Finance expenses paid on term financing	(4,203)	(2,292)
Redemption of AT1 Capital	(31,739)	-
Net cash (used in) / generated from financing activities	(37,645)	30,492
Net decrease in cash and cash equivalents	(123,392)	(16,269)
Cash and cash equivalents at beginning of the period	202,371	174,338
Cash and cash equivalents at end of the period	78,979	158,069
Cash and cash equivalents comprises:*		
Cash and bank balances (excluding CBB reserve)	9,344	135,313
Placement with financial institutions with original maturities of 90 days or less (excluding margin call account)	69,635	22,756
	78,979	158,069

* Cash and cash equivalents is net of the expected credit loss of BD nil thousand (31 March 2023: BD 1 thousand).

The accompanying notes 1 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT
For the three-month period ended 31 March 2024

31 March 2024 (Reviewed)	Bank balances	Investment in real estate	Others	Liabilities	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2024	529	32,533	203,359	1,662	234,759
Additions	-	-	-	-	-
Recoveries/ disposals/ maturities	-	-	-	-	-
Net increase/ (decrease)	-	-	-	-	-
Net income	-	-	-	-	-
Mudarib's share	-	-	-	-	-
Fixed agency fee	-	-	-	-	-
Variable agency fee	-	-	-	-	-
Total Bank's management share	-	-	-	-	-
Distributions/ withdrawals	-	-	-	-	-
Balance at 31 March 2024	529	32,533	203,359	1,662	234,759

The Group provides corporate administration, investment management and advisory services to its investment entities, which involves making decisions on behalf of such entities. The Group has outsourced the day to day management of the assets under management to its Parent for no additional cost.

The accompanying notes 1 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT
For the three-month period ended 31 March 2024

31 March 2023 (Reviewed)	Bank balances	Investment in real estate	Others	Liabilities	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2023	546	27,639	201,517	2,788	226,914
Additions	-	-	-	-	-
Recoveries/ disposals/ maturities	-	-	-	-	-
Net increase/ (decrease)	-	-	-	-	-
Net income	-	-	-	-	-
Mudarib's share	-	-	-	-	-
Fixed agency fee	-	-	-	-	-
Variable agency fee	-	-	-	-	-
Total Bank's management share	-	-	-	-	-
Distributions/ withdrawals	-	-	-	-	-
Balance at 31 March 2023	546	27,639	201,517	2,788	226,914

The accompanying notes 1 to 26 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 2024

1 REPORTING ENTITY

Khaleeji Bank B.S.C. (formerly Khaleeji Commercial Bank B.S.C.) (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's 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 and were de-listed, redeemed and converted during the period (refer to note 15).

64.05% (31 December 2023: 85.41%) of the ordinary shares of the Bank are held by GFH Financial Group B.S.C. (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"). During the period, the Parent sold 25% (282,610,178 shares) of its stake in Khaleeji Bank to Southern Star Investments W.L.L, a quasi-government owned company. On 25 June 2023, as part of the overall group restructuring initiatives, the Bank rebranded its commercial name from "Khaleeji Commercial Bank B.S.C." to "Khaleeji Bank B.S.C." As a result, the trade symbol also changed from " KHCB" to "KHALEEJI".

The condensed consolidated interim financial information comprises financial information of the Bank and its subsidiaries (together the "Group").

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 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2023.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's last audited consolidated financial statements as at and for the year ended 31 December 2023, except for those arising from adoption of the following standards and amendments to standards effective from 1 January 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. Significant changes relevant to the Group are a) Definition of Quasi-equity is introduced; b) Concept of comprehensive income has been introduced; and c) Disclosure of movement in Zakah and Charity have been relocated disclosed into the notes to the condensed consolidated financial information.

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

Primary statements introduced

Statement of other comprehensive income

Statement of income and attribution related to quasi-equity

Statement of changes in off-balance-sheet assets under management

Primary statements discontinued

Statement of sources and uses of zakah and charity fund

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2) FAS 46: Off-Balance-Sheet Assets Under Management

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

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

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

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

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

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

3) FAS 47: Transfer of Assets Between Investment Pools

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

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 2023.

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 2023.

6 SEASONALITY

The Bank does not have significant income of a seasonal nature. However, given the inherent nature of the banking business and changes in market benchmark rates, the results reported in one period may not be directly comparable to those of other periods.

7 INVESTMENT IN SUKUK

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Debt type instruments - at amortised cost		
- Quoted sukuk*	396,428	400,012
- Unquoted sukuk	1,317	1,317
Less: impairment allowance	(1,625)	(1,617)
Debt type instruments – at fair value through other comprehensive income		
-Quoted sukuk**	74,515	64,737
Equity type instruments – at fair value through other comprehensive income		
-Quoted sukuk	58,297	58,297
	528,932	522,746

* As of 31 March 2024, out of sukuk of BD 396,428 thousand (31 December 2023: BD 400,012 thousand), BD 382,524 thousand (31 December 2023: BD 271,520 thousand) were pledged against term financing from financial institutions of BD 213,859 thousand (31 December 2023: BD 216,362 thousand).

** Fair value loss reserve amounted to BD 7,300 thousand (31 December 2023: BD 7,165 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

8 FINANCING CONTRACTS

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Trade-based		
Murabaha (net of deferred profit)*	423,997	352,667
Participatory-based		
Mudaraba	7,877	7,753
Lease-based		
Ijarah Muntahia Bittamleek (net of accumulated depreciation)	213,105	210,818
Gross financing contracts	644,979	571,238
Less: Impairment allowance	(23,744)	(22,951)
Net financing assets	621,235	548,287

*Murabaha financing assets are net of deferred profits of BD 14,558 thousand (31 December 2023: BD 15,731 thousand).

The movement on impairment allowances is as follows:

31 March 2024 (Reviewed)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI* BD '000	Total BD '000
Gross financing contracts	503,523	97,098	42,874	1,484	644,979
Less: Expected credit losses allowance					
At 1 January 2024	1,709	5,717	15,200	325	22,951
Net movement between stages	844	(128)	(716)	-	-
Net charge	16	(91)	856	12	793
Write-off	-	-	-	-	-
Disposal	-	-	-	-	-
Expected credit losses allowance at 31 March 2024	2,569	5,498	15,340	337	23,744
Net financing contracts	500,954	91,600	27,534	1,147	621,235

31 December 2023 (Audited)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI* BD '000	Total BD '000
Gross financing contracts	425,087	98,369	46,307	6,621	571,238
Less: Expected credit losses allowance					
At 1 January 2023	5,330	4,361	12,243	621	22,555
Net movement between stages	(706)	222	484	-	-
Net charge	(2,915)	1,134	3,452	(296)	1,375
Write-off	-	-	(90)	-	(90)
Disposal	-	-	(889)	-	(889)
Expected credit losses allowance at 31 March 2023	1,709	5,717	15,200	325	22,951
Net financing contracts	423,378	92,652	31,107	6,296	548,287

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

8 FINANCING CONTRACTS (continued)

* 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 25.99% (31 December 2023: 25%) compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) are carried at 62.10% (31 December 2023: 64.42%) compared to their original contractual outstanding amounts.

9 INVESTMENT SECURITIES

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Equity type instruments:		
<i>At fair value through statement of income</i>		
- Structured notes		
At 1 January	14,796	14,900
Accrued profit	129	516
Redemption	(256)	(621)
Changes in fair value	38	1
	14,707	14,796
<i>At fair value through other comprehensive income</i>		
Unquoted equity securities	23,830	23,774
	23,830	23,774
	38,537	38,570

10 EQUITY ACCOUNTED INVESTEEES

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
At beginning of the period	24,689	24,522
Sale	-	(399)
Recognition of associate upon deconsolidation of subsidiary	-	1,491
Share of loss for the period	(243)	(925)
At end of the period	24,446	24,689

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

11 OTHER ASSETS

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Right-of-use asset	1,284	1,378
Profit accrued on sukuk	6,641	5,601
Prepaid expenses	1,312	585
Due from investments	359	345
Receivable from customers	4,564	4,564
Repossessed assets	1,078	1,011
Other receivables	12,030	12,793
	27,268	26,277

Below are further details related to the right-of-use assets:

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Balance as at beginning of the period	1,378	499
Additional right-of-use assets for the period, net	-	1,287
Amortisation charge during the period	(94)	(408)
Balance as at end of the period	1,284	1,378

12 OTHER LIABILITIES

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Payable to investors*	5,538	5,560
Mudaraba profit accrual	4,366	8,601
Net Ijarah liability	1,259	1,345
Advance received from customers	214	244
Zakah and charity payable**	1,115	384
Employee related accruals	1,305	1,296
Payable for Istisna'a contracts	27	27
Other payables and accrued expenses***	6,740	5,372
	20,564	22,829

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

**During the period ended 31 March 2024, BD 770 thousand (2023: BD 562 thousand) was transferred into the Zakah and charity fund and BD 39 thousand (2023 BD 2 thousand) was utilised from the Zakah and charity fund.

*** includes impairment allowance on commitments and financial guarantees of BD 54 thousand (31 December 2023: BD 61 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

12 *OTHER LIABILITIES(continued)*

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

Net ijarah liability

31 March 2024 (reviewed)			
Maturity analysis	Gross ijarah liability BD '000	Deferred ijarah BD '000	Net ijarah liability BD '000
Less than one year	397	(15)	382
One to five years	939	(62)	877
Total	1,336	(77)	1,259

31 December 2023 (audited)			
Maturity analysis	Gross Ijarah liability BD '000	Deferred Ijarah BD '000	Net Ijarah liability BD '000
Less than one year	407	(15)	392
One to five years	1,024	(71)	953
Total	1,431	(86)	1,345

13 **QUASI-EQUITY**

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Mudaraba	460,746	535,662
Wakala	17,358	-
Fair value reserve attributable to Quasi-equity	(52)	-
	478,052	535,662

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

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
CBB reserve account	27,762	28,392
Investment in sukuk	83,829	83,863
Financing assets	322,662	378,813
Investment securities	26,790	26,893
Investment in real estate	17,009	17,198
Other assets	-	503
	478,052	535,662

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

14 SHARE CAPITAL

The shareholders, in their Extraordinary General Assembly meeting on 4 March 2024 resolved to convert 47% of the AT1 Sukuk with a par value of BD 28,261 thousand into 282,610 thousand ordinary shares of BD 0.100 each representing 25% of the Bank's issued and paid-up capital. As a result, the issued and paid-up capital increased to 1,130,441 thousand shares of BD0.100 each (excluding 47,588 thousand treasury shares).

15 PERPETUAL MUDARABA (AT1)

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Perpetual Mudaraba (AT1)	-	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.

During the period, the shareholders in their Extraordinary General Assembly meeting on 4 March 2024 resolved to convert 47% of the AT1 Sukuk with a par value of BD 28,261 thousand into 282,610 thousand ordinary shares of BD 0.100 each representing 25% of the Bank's issued and paid-up capital. As a result, the issued and paid-up capital increased to 1,130,441 thousand shares of BD0.100 each (excluding 47,588 thousand treasury shares). Furthermore, the Shareholders resolved to approve the redemption of the remaining 53% of the AT1 Sukuk of BD 31,739 thousand in cash.

During the period, the Group paid profit distribution on its AT1 to the its holders for an amount of BD Nil thousand (2023: BD 6,000 thousand).

16 COMMITMENTS AND CONTINGENCIES

	31 March 2024 BD '000 (Reviewed)	31 December 2023 BD '000 (Audited)
Undrawn commitments to extend finance*	31,885	42,930
Financial guarantees	7,366	15,335
Lease commitments	-	-

* 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 (2023: BD 7 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

17 INCOME FROM INVESTMENT IN REAL ESTATE, NET

	31 March 2024 BD '000 (Reviewed)	31 March 2023 BD '000 (Reviewed)
Gain on disposal of development properties	1,700	200
Rental income on investment in real estate, net	(143)	(192)
	1,557	8

18 FEES AND OTHER INCOME, NET

	31 March 2024 BD '000 (Reviewed)	31 March 2023 BD '000 (Reviewed)
Fees income	277	179
Foreign exchange gain	307	116
Recovery of written-off assets	1,096	1,969
	1,680	2,264

19 ALLOWANCES FOR IMPAIRMENT AND EXPECTED CREDIT LOSSES, NET

	31 March 2024 BD '000 (Reviewed)	31 March 2023 BD '000 (Reviewed)
Balances and placements with banks and financial institutions	(5)	1
Financing contracts (note 8)	793	508
Investments in sukuk (note 7)	8	76
Commitments and financial guarantees (note 16)	(7)	(7)
	789	578

Movement on ECL in various stages during the period:

31 March 2024 (Reviewed)	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI BD '000	Total BD '000
ECL balance at 1 January	2,032	5,752	16,525	325	24,634
Transfer to Stage 1	883	(729)	(154)	-	-
Transfer to Stage 2	(39)	321	(282)	-	-
Transfer to Stage 3	-	(32)	32	-	-
Net movement	844	(440)	(404)	-	-
Charge for the period (net)	34	199	544	12	789
ECL balance as at 31 March 2024	2,910	5,511	16,665	337	25,423

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

19 ALLOWANCES FOR IMPAIRMENT AND EXPECTED CREDIT LOSSES, NET (continued)

31 March 2024 (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
Financing Contracts (note 8)	2,569	5,498	15,677	23,744
Investments in sukuk	307	-	1,318	1,625
Commitments and financial guarantees	34	13	7	54
	2,910	5,511	17,002	25,423

31 March 2023 (Reviewed)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI BD '000	Total BD '000
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)	(1,045)	1,005	514	104	578
ECL balance as at 31 March 2023	3,923	6,132	13,943	724	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 contracts (note 8)	3,604	6,116	13,343	23,063
Investments in sukuk	283	-	1,318	1,601
Commitments and financial guarantees	35	16	6	57
	3,923	6,132	14,667	24,722

* Stage 3: Life time ECL credit impaired includes POCI

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

20 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	31 March
	2024	2023
	BD '000	BD '000
	(Reviewed)	(Reviewed)
Profit for the period attributable to the shareholders of the parent	3,008	3,752
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	3,008	3,752
Weighted average number of shares outstanding during the period, net of treasury shares (thousand)	815,770	800,242
Basic and diluted earnings per share (fils)	3.69	4.69

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

31 March 2024
(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 contracts	-	4,129	23,413	-	27,542
Investment in sukuk	-	-	58,297	-	58,297
Investment securities	-	-	2,284	3,402	5,686
Equity accounted investees	24,446	-	-	-	24,446
Other assets	-	-	496	121	617
Liabilities and Quasi-equity					
Placement from financial institutions, non-financial institutions and individuals	-	1,834	44,942	-	46,776
Customers' current accounts	1,661	29	21,549	430	23,669
Quasi-equity	333	1,699	48,858	121	51,011
Other liabilities	-	506	-	-	506

**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	-	57	525	-	582
Income from Sukuk	-	-	1,147	-	1,147
Income from investment securities	-	-	-	-	-
Share of loss from equity accounted investees	(242)	-	-	-	(242)
Expenses					
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	15	683	-	698
Net income attributable to quasi-equity	11	21	4,838	2	4,872
Staff cost	-	397	-	-	397
Other operating expenses	-	59	-	51	110

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

31 December 2023

	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 contracts	-	4,245	23,206	-	27,451
Investment securities	-	-	2,284	4,240	6,524
Equity accounted investees	24,689	-	-	-	24,689
Investment in sukuk	-	-	58,297	-	58,297
Other assets	-	-	568	108	676
Liabilities and Quasi-equity					
Placement from financial institutions, Non-FIs and individuals	-	2,112	43,541	-	45,653
Customers' current accounts	1,120	6	11,021	442	12,589
Quasi-equity	335	1,895	126,520	129	128,879
Other liabilities	-	480	-	-	480

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
Net income attributable to quasi- equity	4	21	1,634	2	1,661
Staff cost	-	396	-	-	396
Other operating expenses	-	258	-	5	263

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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22 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

During the period, 47% of the AT1 Sukuk with a par value of BD 28,261 thousand were converted into 282,610 thousand ordinary shares of BD 0.100 each representing 25% of the Bank's issued and paid-up capital. Furthermore, the Shareholders resolved to approve the redemption of the remaining 53% of the AT1 Sukuk of BD 31,739 thousand in cash.

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

23 SEGMENT INFORMATION

31 March 2024

(Reviewed)

	Corporate and Retail Banking BD '000	Investment Banking BD '000	Unallocated BD '000	Total BD '000
Segment revenue	24,461	(82)	-	24,379
Segment results	5,602	(323)	(2,271)	3,008
Segment assets	1,273,117	133,638	21,993	1,428,748

31 March 2023

(Reviewed)

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

24 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 expected credit losses allowance) of BD 396,122 thousand (31 December 2023: BD 399,713 thousand) is BD 379,925 thousand as at 31 March 2024 (31 December 2023: BD 386,760 thousand).

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).

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24 *FINANCIAL INSTRUMENTS (continued)*

31 March 2024 (Reviewed)

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Structured notes at fair value through statement of income	-	14,707	-	14,707
Debt-type sukuk at fair value through other comprehensive income	-	74,515	-	74,515
Equity-type sukuk at fair value through other comprehensive income	-	58,297	-	58,297
Equity-type securities carried at fair value through other comprehensive income	-	-	23,830	23,830
	-	147,519	23,830	171,349

31 December 2023

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Structured notes at fair value through statement of income	-	14,796	-	14,796
Debt-type sukuk at fair value through other comprehensive income	-	64,737	-	64,737
Equity-type sukuk at fair value through other comprehensive income	-	58,297	-	58,297
Equity type securities carried at fair value through other comprehensive income	-	-	23,774	23,774
	-	137,830	23,774	161,604

The following table analyses the movement in Level 3 financial assets during the three month period ended 31 March 2024:

	31 March 2024 BD '000 (Reviewed)	31 March 2023 BD '000 (Reviewed)
At 1 January	23,774	18,738
Fair value loss in statement of income	-	(14)
Movement in investment fair value reserve	(238)	(79)
Other movements	294	-
Sales	-	(217)
	23,830	18,428

During the three months periods ended 31 March 2024 and 31 March 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

24 *FINANCIAL INSTRUMENTS (continued)*

c) Instruments not measured at fair value

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.

25 **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 2024, the Bank is required to maintain LCR greater than 100%. As of 31 March 2024, the Bank had LCR ratio of 383.54% (31 December 2023: 340.37%)

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 2024 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	124,756	-	-	8,758	133,514
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	60,956	13,957	1,198	72,366
Less Stable deposits	-	203,383	103,336	8,236	284,283
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	576,587	177,393	144,565	338,069
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	20,668	-	-	-
Total ASF	124,756	862,617	294,685	162,757	828,232

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

25 *REGULATORY RATIOS (continued)*
b. Net stable funding Ratio (NSFR) (continued)

Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	429,871	-	-	-	21,814
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	-	74,493	-	-	11,174
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	72,657	46,532	375,174	372,672
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	29,100	18,915
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	106,153	68,999
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	96,373	42,245	-	89,563	198,030
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	97,013	-	-	-	97,013
OBS items	40,784	-	-	-	2,039
Total RSF	664,040	189,394	46,532	570,890	771,742
NSFR%					107.32%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

25 *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 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	
<u>Available Stable Funding (ASF):</u>					
Capital:					
Regulatory Capital	155,230	-	-	8,546	163,776
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	60,114	13,753	1,420	71,595
Less Stable deposits	-	194,817	64,094	14,904	247,924
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	779,406	104,785	89,997	274,826
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	23,956	-	-	-
Total ASF	155,230	1,058,293	182,632	114,867	758,121

Required Stable Funding (RSF):

Total NSFR high-quality liquid assets (HQLA)

Performing financing and sukuk/securities:

Performing financing to financial institutions secured by level 1 HQLA

Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing

financing to financial institutions

Performing financing to non-financial corporate clients, financing to retail and small business customers, and

financing to sovereigns, central banks and PSEs, of which:

- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines

Performing residential mortgages, of which:

- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines

Securities / sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities

All other assets not included in the above categories

OBS items

Total RSF

NSFR%

468,412	-	-	-	21,884
-	-	-	-	-
-	158,759	-	-	23,814
-	88,517	28,980	299,779	307,226
-	-	-	30,031	19,520
-	-	-	-	-
-	-	-	80,436	52,283
115,256	41,752	-	84,889	213,193
101,383	-	-	-	101,383
59,798	-	-	-	2,990
744,849	289,028	28,980	490,615	739,355
				102.54%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months period ended 31 March 2024

25 *REGULATORY RATIOS (continued)*

c. *Capital Adequacy Ratio*

	31 March 2024 BD '000	31 December 2023 BD '000
CET 1 Capital before regulatory adjustments	124,808	108,008
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	124,808	108,008
<i>T1 Capital</i>	-	47,222
T 2 Capital adjustments	5,952	6,036
Regulatory Capital	130,760	161,266
Risk weighted exposure:		
Credit Risk Weighted Assets	476,169	482,876
Market Risk Weighted Assets	10,000	9,292
Operational Risk Weighted Assets	75,062	75,062
Total Regulatory Risk Weighted Assets	561,231	567,230
Investment risk reserve (30% only)	-	-
Profit equalization reserve (30% only)	-	-
Total Adjusted Risk Weighted Exposures	561,231	567,230
Capital Adequacy Ratio	23.30%	28.43%
Tier 1 Capital Adequacy Ratio	22.24%	27.37%
Minimum required by CBB	12.5%	12.5%

26 **COMPARATIVE FIGURES**

The comparative figures have been regrouped in order to conform with the presentation for current period. Such regrouping did not affect previously reported profit for the period or total equity.