

**KHALEEJI BANK B.S.C.**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

**30 June 2023**

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 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 BANK B.S.C.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2023**

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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 30 June 2023 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 30 June 2023;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2023;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2023;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 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 30 June 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

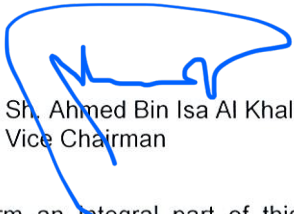
9 August 2023

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2023

	Note	30 June 2023 BD '000 (Reviewed)	31 December 2022 BD '000 (Audited)
<b>ASSETS</b>			
Cash and bank balances		127,075	149,093
Placements with financial institutions		46,816	62,630
Investment in sukuk	7	546,390	523,332
Financing assets	8	328,210	321,135
Ijarah assets	9	210,641	183,725
Investment securities	10	70,270	33,637
Assets held-for-sale	11	4,341	4,341
Investment in real estate		86,101	96,947
Equity accounted investees	12	25,173	24,522
Other assets	13	25,241	22,901
Property and equipment		3,428	3,431
<b>Total assets</b>		<b>1,473,686</b>	<b>1,425,694</b>
<b>LIABILITIES</b>			
Placements from financial institutions		295,468	240,080
Placements from non-financial institutions and individuals		247,838	215,364
Term financing from financial institutions		176,302	130,955
Customers' current accounts		86,543	50,955
Other liabilities	14	20,581	25,437
<b>Total liabilities</b>		<b>826,732</b>	<b>662,791</b>
<b>Equity of investment accountholders</b>			
- From financial institutions		60,140	159,926
- From non-financial institutions and individuals		428,356	445,207
<b>Total equity of investment accountholders</b>	15	<b>488,496</b>	<b>605,133</b>
<b>OWNERS' EQUITY</b>			
Share capital	16	84,783	84,783
Statutory reserve		11,510	11,510
Treasury shares		(6,254)	(6,254)
Investment fair value reserve		(7,005)	(5,790)
Retained earnings		19,567	16,171
<b>Equity attributable to parent's shareholders</b>		<b>102,601</b>	<b>100,420</b>
Perpetual Mudaraba (AT1)	17	47,222	47,222
Non-controlling interest		8,635	10,128
<b>Total owners' equity</b>		<b>158,458</b>	<b>157,770</b>
<b>Total liabilities, equity of investment accountholders and owners' equity</b>		<b>1,473,686</b>	<b>1,425,694</b>

The Board of Directors approved the condensed consolidated interim financial information on 9 August 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 six months period ended 30 June 2023

	Note	Six months ended		Three months ended	
		30 June 2023 BD '000 (Reviewed)	30 June 2022 BD '000 (Reviewed)	30 June 2023 BD '000 (Reviewed)	30 June 2022 BD '000 (Reviewed)
Income from financing and Ijarah assets		20,246	16,202	9,985	8,200
Income from placements with financial institutions		1,450	112	695	73
Income from sukuk		16,305	9,461	8,029	4,707
Income from investment securities		1,254	461	699	87
Share of loss from equity accounted investees		(440)	(682)	(221)	(391)
Fees and other income, net	20	5,973	1,357	3,701	532
<b>Total income before return to investment accountholders</b>		<b>44,788</b>	<b>26,911</b>	<b>22,888</b>	<b>13,208</b>
Return to investment account holders before Bank's share as Mudarib		(13,482)	(16,172)	(5,347)	(8,123)
Bank's share as a Mudarib		3,158	9,146	355	4,308
<b>Return to investment accountholders</b>		<b>(10,324)</b>	<b>(7,026)</b>	<b>(4,992)</b>	<b>(3,815)</b>
Finance expense on placements from financial institutions, non-financial institutions and individuals		(14,818)	(4,635)	(8,332)	(2,106)
Finance expense on term financing from financial institutions		(4,870)	(1,418)	(2,578)	(901)
<b>Total income</b>		<b>14,776</b>	<b>13,832</b>	<b>6,986</b>	<b>6,386</b>
Staff cost		3,462	3,653	1,661	1,369
Other operating expenses		3,342	2,541	1,683	1,469
<b>Total expenses</b>		<b>6,804</b>	<b>6,194</b>	<b>3,344</b>	<b>2,838</b>
<b>Profit before impairment allowances</b>		<b>7,972</b>	<b>7,638</b>	<b>3,642</b>	<b>3,548</b>
Net impairment charge	21	(1,021)	(828)	(443)	(186)
<b>PROFIT FOR THE PERIOD</b>		<b>6,951</b>	<b>6,810</b>	<b>3,199</b>	<b>3,362</b>
<b>Attributable to:</b>					
Shareholders of the parent		6,951	6,810	3,199	3,362
Non-controlling interest		-	-	-	-
		<b>6,951</b>	<b>6,810</b>	<b>3,199</b>	<b>3,362</b>
<b>Earnings per share</b>					
Basic and diluted earnings per share (fils)	22	<b>4.94</b>	4.74	<b>0.25</b>	0.45

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 six months period ended 30 June 2023**

30 June 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 BD '000	Statutory reserve BD '000	Treasury shares BD '000	Investment fair value reserve BD '000	Retained earnings BD '000				Total 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	-	-	-	(1,215)	-	(1,215)	-	-	(1,215)
Profit for the period	-	-	-	-	6,951	6,951	-	-	6,951
<b>Total recognised income and expense for the period</b>	-	-	-	<b>(1,215)</b>	<b>6,951</b>	<b>5,736</b>	-	-	<b>5,736</b>
Transfer to Zakah fund	-	-	-	-	(555)	(555)	-	-	(555)
Profit distribution on Perpetual Mudaraba	-	-	-	-	(3,000)	(3,000)	-	-	(3,000)
Loss of control	-	-	-	-	-	-	-	(1,493)	(1,493)
<b>Balance at 30 June 2023</b>	<b>84,783</b>	<b>11,510</b>	<b>(6,254)</b>	<b>(7,005)</b>	<b>19,567</b>	<b>102,601</b>	<b>47,222</b>	<b>8,635</b>	<b>158,458</b>

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 six months period ended 30 June 2022 (Continued)**

30 June 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
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	-	-	-	(5,656)	-	(5,656)	-	-	(5,656)
Profit for the period	-	-	-	-	6,810	6,810	-	-	6,810
Total recognised income and expense for the period	-	-	-	(5,656)	6,810	1,154	-	-	1,154
Cancellation of treasury shares (note 16)	(4,429)	-	5,963	-	(1,534)	-	-	-	-
Purchase of treasury shares	-	-	(290)	-	-	(290)	-	-	(290)
Transfer to Zakah fund	-	-	-	-	(395)	(395)	-	-	(395)
Profit distribution on Perpetual Mudaraba	-	-	-	-	(3,000)	(3,000)	-	-	(3,000)
Loss of control	-	-	-	-	-	-	-	(965)	(965)
Balance at 30 June 2022	84,783	10,110	(6,253)	(5,469)	13,374	96,545	47,222	10,128	153,895

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 six months period ended 30 June 2023**

	<b>Six months ended 30 June 2023 BD '000 (Reviewed)</b>	<b>Six months ended 30 June 2022 BD '000 (Reviewed)</b>
<b>OPERATING ACTIVITIES</b>		
Payments of financing assets, net	(19,848)	(2,709)
Payments for Ijarah assets, net	(26,535)	(13,773)
Income received from short-term placements	1,450	112
Returns paid to investment accountholders	(10,386)	(7,731)
(Withdrawals) / receipts from investment accountholders, net	(116,637)	53,658
Payments for expenses	(10,659)	(13,399)
Other receipts	3,333	1,357
Contributions paid to charitable organisations	(598)	(367)
Receipts from customers' current accounts, net	35,588	32,489
Receipts from / (payment to) placements from financial institutions, net	55,388	(8,748)
Receipts / (withdrawals) from placements from non-financial institutions and individuals, net	32,474	(69,708)
Net payments to CBB reserve account	(3,125)	(3)
Profit expense paid on placements	(14,817)	(4,635)
<b>Net cash used in operating activities</b>	<b>(74,372)</b>	<b>(33,457)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of sukuk	(128,001)	(133,480)
Proceeds from sale / redemption of sukuk	106,442	59,657
Income from sukuk received	16,767	10,417
Proceeds from disposal of investment in real estate	35	3,229
Income from investment in real estate	21	-
Income from investment securities	955	88
Purchase of property and equipment, net	(282)	(28)
Net movement in margin call	1,406	-
<b>Net cash used in investing activities</b>	<b>(2,657)</b>	<b>(60,117)</b>
<b>FINANCING ACTIVITIES</b>		
Purchase of treasury shares, net	-	(290)
Receipts of term financing from financial institutions, net	45,347	66,273
Payments of finance expense on term financing from financial institutions	(4,870)	(1,418)
Profit distribution on AT 1 Capital	(3,000)	(3,000)
<b>Net cash generated from financing activities</b>	<b>37,477</b>	<b>61,565</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(39,552)</b>	<b>(32,009)</b>
Cash and cash equivalents at beginning of the period	174,338	135,216
<b>Cash and cash equivalents at end of the period</b>	<b>134,786</b>	<b>103,207</b>
<b>Cash and cash equivalents comprises:*</b>		
Cash and bank balances (excluding CBB reserve)	98,155	55,467
Placement with financial institutions with original maturities of 90 days or less (excluding margin call account)	36,631	47,740
	<b>134,786</b>	<b>103,207</b>

\* Cash and cash equivalents is net of the expected credit loss of BD 1 thousand (30 June 2022: BD 5 thousand).

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 six months period ended 30 June 2023**

30 June 2023 (Reviewed)

	Balance at 1 January 2023			Movements during the period					Balance at 30 June 2023			
	No of units	Average value per share	Total	Investment / (withdrawals)	Revaluation / Adjustment	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)	1,247	1.00	1,247	-	(28)	-	-	-	-	1,219	1.00	1,219
Shaden Real Estate Investment WLL (RIA 5)	269	1.00	269	-	45	-	-	-	-	314	1.00	314
			<b>1,516</b>	-	17	-	-	-	-			<b>1,533</b>

30 June 2022 (Reviewed)

	Balance at 1 January 2022			Movements during the period					Balance at 30 June 2022			
	No of units	Average value per share	Total	Investment / (withdrawals)	Revaluation / Adjustment	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 NS12	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
			<b>1,516</b>	-	-	-	-	-	-			<b>1,516</b>

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 six months period ended 30 June 2023**

	<b>Six months ended 30 June 2023 BD '000 (Reviewed)</b>	<b>Six months ended 30 June 2022 BD '000 (Reviewed)</b>
<b>Sources of zakah and charity fund</b>		
At 1 January	522	471
Contributions by the Bank	555	395
Non-Islamic income	18	5
<b>Total sources</b>	<b>1,095</b>	<b>871</b>
<b>Uses of zakah and charity fund</b>		
Contributions to charitable organisations	(598)	(367)
<b>Total uses</b>	<b>(598)</b>	<b>(367)</b>
<b>Undistributed zakah and charity fund at end of the period</b>	<b>497</b>	<b>504</b>

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 six months period ended 30 June 2023**

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**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. 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".

85.41% (31 December 2022: 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").

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 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 six months ended 30 June 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 six months period ended 30 June 2023**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 six months period ended 30 June 2023**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)***II. Relevant new standards, amendments, and interpretations issued but not yet effective (continued)**1) FAS 1 General Presentation and Disclosures in the Financial Statements (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 Quasi 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 and 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. 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
for the six months period ended 30 June 2023

**7 INVESTMENT IN SUKUK**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
<b>Debt type instruments - at amortised cost</b>		
- Quoted sukuk*	425,407	404,822
- Unquoted sukuk	1,317	1,317
Less: impairment allowance	(1,568)	(1,524)
<b>Debt type instruments – at fair value through equity</b>		
-Quoted sukuk**	63,901	64,546
<b>Equity type instruments – at fair value through equity</b>		
-Quoted sukuk	57,333	54,171
	<b>546,390</b>	<b>523,332</b>

\* As of 30 June 2023, out of sovereign sukuk of BD 379,341 thousand (31 December 2022: BD 361,174 thousand) and corporate sukuk of BD 46,066 thousand (31 December 2022: BD 43,648 thousand), BD 194,803 thousand (31 December 2022: BD 234,229 thousand) were pledged against term financing from financial institutions of BD 64,287 thousand (31 December 2022: BD 81,753 thousand).

\*\* Fair value loss reserve amounted to BD 6,700 thousand (31 December 2022: BD 5,652 thousand).

**8 FINANCING ASSETS**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
Murabaha (net of deferred profit)	340,283	332,324
Mudaraba	7,032	6,536
Wakala	90	90
<b>Gross financing assets</b>	<b>347,405</b>	<b>338,950</b>
Less: Impairment allowance	(19,195)	(17,815)
<b>Net financing assets</b>	<b>328,210</b>	<b>321,135</b>

Murabaha financing assets are net of deferred profits of BD 19,687 thousand (31 December 2022: BD 18,900 thousand).

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8 *FINANCING ASSETS (continued)*

The movement in the financing assets is as follows:

<b>30 June 2023 (Reviewed)</b>	<b>Stage 1 BD '000</b>	<b>Stage 2 BD '000</b>	<b>Stage 3 BD '000</b>	<b>POCI* BD '000</b>	<b>Total BD '000</b>
<b>Gross financing assets</b>	<b>251,591</b>	<b>70,468</b>	<b>23,227</b>	<b>2,119</b>	<b>347,405</b>
Less: Impairment allowance					
At 1 January 2023	4,499	3,360	9,335	621	17,815
Net movement between stages	(692)	81	611	-	-
Net charge for the period	(2,063)	3,632	(268)	79	1,380
Write-off	-	-	-	-	-
Disposal	-	-	-	-	-
<b>Impairment allowance at 30 June 2023</b>	<b>1,744</b>	<b>7,073</b>	<b>9,678</b>	<b>700</b>	<b>19,195</b>
<b>Net financing assets</b>	<b>249,847</b>	<b>63,395</b>	<b>13,549</b>	<b>1,419</b>	<b>328,210</b>

<b>31 December 2022 (Audited)</b>	<b>Stage 1 BD '000</b>	<b>Stage 2 BD '000</b>	<b>Stage 3 BD '000</b>	<b>POCI* BD '000</b>	<b>Total BD '000</b>
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 21.99% (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 42.58% (31 December 2022: 44.05%) compared to their original contractual outstanding amounts.

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**9 IJARAH ASSETS**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
<b>Cost</b>		
At 1 January	246,944	204,736
Additions during the period	33,948	58,289
Settlements during the period	(4,210)	(16,081)
<b>At period end</b>	<b>276,682</b>	246,944
<b>Accumulated depreciation / amortisation</b>		
At 1 January	58,479	47,030
Charge for period	10,758	17,465
Settlements during the period	(7,557)	(6,016)
<b>At period end</b>	<b>61,680</b>	58,479
Less: Impairment allowance	(4,361)	(4,740)
<b>Net book value at period end</b>	<b>210,641</b>	183,725

The movement in ijarah assets is as follows:

**30 June 2023 (Reviewed)**

	<b>Stage 1 BD '000</b>	<b>Stage 2 BD '000</b>	<b>Stage 3 BD '000</b>	<b>Total BD '000</b>
<b>Ijarah assets</b>	<b>185,103</b>	<b>19,242</b>	<b>10,657</b>	<b>215,002</b>
Less: Impairment allowance				
At 1 January 2023	831	1,001	2,908	4,740
Net movement between stages	71	47	(118)	-
Net charge for the period	(503)	(431)	555	(379)
<b>Impairment allowance at 30 June 2023</b>	<b>399</b>	<b>617</b>	<b>3,345</b>	<b>4,361</b>
<b>Ijarah assets carrying amount</b>	<b>184,704</b>	<b>18,625</b>	<b>7,312</b>	<b>210,641</b>

**31 December 2022 (Audited)**

	<b>Stage 1 BD '000</b>	<b>Stage 2 BD '000</b>	<b>Stage 3 BD '000</b>	<b>Total BD '000</b>
<b>Ijarah assets</b>	<b>159,813</b>	<b>21,935</b>	<b>6,717</b>	<b>188,465</b>
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)
<b>Impairment allowance at 31 December 2022</b>	<b>831</b>	<b>1,001</b>	<b>2,908</b>	<b>4,740</b>
<b>Ijarah assets carrying amount</b>	<b>158,982</b>	<b>20,934</b>	<b>3,809</b>	<b>183,725</b>

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**10 INVESTMENT SECURITIES**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
<b>Equity type instruments:</b>		
<i>At fair value through income statement</i>		
- Structured notes		
At 1 January	14,900	15,531
Accrued profit	258	516
Redemption	-	(763)
Changes in fair value	28	(384)
	<b>15,186</b>	<b>14,900</b>
<i>Other debt type investment at fair value through income statement</i>		
Quoted investments	30,914	-
	<b>30,914</b>	<b>-</b>
<i>At fair value through equity</i>		
Unquoted equity securities	24,170	18,737
	<b>24,170</b>	<b>18,737</b>
	<b>70,270</b>	<b>33,637</b>

**11 ASSETS HELD-FOR-SALE**

The Board of Directors of Khaleeji, 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 B.S.C (c) "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, Khaleeji 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 30 June 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 six months period ended 30 June 2023**

**12 EQUITY ACCOUNTED INVESTEEES**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
At beginning of the period	24,522	25,268
(Sale) / additions	(400)	506
Recognition of associate upon deconsolidation of subsidiary	1,491	-
Share of loss for the period	(440)	(1,252)
<b>At end of the period</b>	<b>25,173</b>	<b>24,522</b>

**13 OTHER ASSETS**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
Profit accrued on sukuk	5,888	5,779
Right-of-use asset	1,549	499
Prepaid expenses	976	870
Due from investments	320	279
Receivable from customers	4,564	4,564
Repossessed assets	5,576	4,938
Other receivables	6,368	5,972
	<b>25,241</b>	<b>22,901</b>

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

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
Balance as at 1 January	499	820
Additional right-of-use assets for the period, net	1,266	228
Amortisation charge during the period	(216)	(549)
<b>Balance as at period end</b>	<b>1,549</b>	<b>499</b>

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**14 OTHER LIABILITIES**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
Payable to investors*	7,312	10,542
Mudaraba profit accrual	4,909	4,970
Net Ijarah liability	1,527	404
Advance received from customers	126	231
Zakah and charity payable	497	522
Employee related accruals	1,001	1,453
Payable for Istisna'a contracts	27	27
Other payables and accrued expenses**	5,182	7,288
	<b>20,581</b>	<b>25,437</b>

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

\*\* includes impairment allowance on commitments and financial guarantees of BD 40 thousand (31 December 2022: BD 64 thousand).

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

**Net ijarah liability**

	<b>30 June 2023 (reviewed)</b>		
	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	1,217	(92)	1,125
<b>Total</b>	<b>1,624</b>	<b>(97)</b>	<b>1,527</b>

	<b>31 December 2022 (audited)</b>		
	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
<b>Total</b>	<b>438</b>	<b>(34)</b>	<b>404</b>

**15 EQUITY OF INVESTMENT ACCOUNTHOLDERS**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
From financial institutions	60,140	159,926
From non-financial institutions and individuals	428,356	445,207
	<b>488,496</b>	<b>605,133</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
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**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:

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
Balances with banks	-	94,191
CBB reserve account	28,920	25,795
Placements with financial institutions	-	62,631
Investment in sukuk	82,836	172,029
Financing assets	331,302	250,487
Investment securities	27,089	-
Investment in real estate	17,641	-
Other assets	708	-
	<b>488,496</b>	<b>605,133</b>

**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 30 June 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 Khaleeji employee benefit Trust to the Bank as treasury shares. During 2022, the Khaleeji employee benefit Trust was terminated.

**17 PERPETUAL MUDARABA (AT1)**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
Perpetual Mudaraba (AT1)	47,222	47,222
	<b>47,222</b>	<b>47,222</b>

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.

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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 3,000 thousand (2022: BD 6,000 thousand).

18 **COMMITMENTS AND CONTINGENCIES**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>31 December 2022 BD '000 (Audited)</b>
Undrawn commitments to extend finance*	47,805	37,894
Financial guarantees	15,222	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 24 thousand (2022: BD 6 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**

	<b>30 June 2023 BD '000 (Reviewed)</b>	<b>30 June 2022 BD '000 (Reviewed)</b>
Fees income	479	442
Foreign exchange gain	206	492
Recovery of written-off assets	2,550	415
Gain on disposal of investment property (note 24)	2,424	-
Others	314	8
	<b>5,973</b>	<b>1,357</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
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**21 NET IMPAIRMENT CHARGE**

	<b>30 June 2023 BD '000 (Reviewed)</b>	30 June 2022 BD '000 (Reviewed)
Balances and placements with banks and financial institutions	-	5
Financing assets (note 8)	1,380	1,565
Investments in sukuk (note 7)	44	(11)
Ijarah assets (note 9)	(379)	(725)
Commitments and financial guarantees (note 18)	(24)	(6)
	<b>1,021</b>	<b>828</b>

Movement on ECL in various stages during the period:

	<b>Stage 1 BD '000</b>	<b>Stage 2 BD '000</b>	<b>Stage 3 BD '000</b>	<b>POCI BD '000</b>	<b>Total BD '000</b>
<b>30 June 2023</b> (Reviewed)					
ECL balance at 1 January	5,593	4,362	13,568	621	<b>24,144</b>
Transfer to Stage 1	899	(735)	(164)	-	-
Transfer to Stage 2	(1,278)	1,358	(80)	-	-
Transfer to Stage 3	(244)	(492)	736	-	-
Net movement	(623)	131	492	-	-
Charge for the period (net)	(2,544)	3,203	283	79	1,021
<b>ECL balance as at 30 June 2023</b>	<b>2,426</b>	<b>7,696</b>	<b>14,343</b>	<b>700</b>	<b>25,165</b>

**30 June 2023** (Reviewed)

	<b>Stage 1: 12- month ECL BD '000</b>	<b>Stage 2: Life time ECL non-credit impaired BD '000</b>	<b>Stage 3: Life time ECL credit impaired * BD '000</b>	<b>Total BD '000</b>
Balances and placements with banks and financial institutions	1	-	-	<b>1</b>
Financing assets (note 8)	1,743	7,075	10,377	<b>19,195</b>
Investments in sukuk	251	-	1,317	<b>1,568</b>
Ijarah assets (note 9)	400	617	3,344	<b>4,361</b>
Commitments and financial guarantees	31	4	5	<b>40</b>
	<b>2,426</b>	<b>7,696</b>	<b>15,043</b>	<b>25,165</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
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21 *NET IMPAIRMENT CHARGE (continued)*

30 June 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 2022	6,949	2,680	17,471	612	27,712
Transfer to Stage 1	764	(579)	(185)	-	-
Transfer to Stage 2	(60)	89	(29)	-	-
Transfer to Stage 3	(4)	-	4	-	-
Net movement	700	(490)	(210)	-	-
Charge for the period (net)	364	133	260	71	828
Write off	-	-	-	-	-
Disposal	-	-	(904)	-	(904)
ECL balance as at 30 June 2022	8,013	2,323	16,617	683	27,636

30 June 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	5	-	-	5
Financing assets (note 8)	6,928	1,615	13,408	21,951
Investment in sukuk	590	-	1,317	1,907
Ijarah assets (note 9)	417	708	2,566	3,691
Commitments and financial guarantees (note 18)	73	-	9	82
	8,013	2,323	17,300	27,636

\* Stage 3: Life time ECL credit impaired includes POCI

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**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.

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 June 2023</b>	30 June 2022	<b>30 June 2023</b>	30 June 2022
	<b>BD '000</b>	BD '000	<b>BD '000</b>	BD '000
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Profit for the period attributable to the shareholders of the parent	6,951	6,810	3,199	3,362
Less: Profit distribution on AT 1 Capital	(3,000)	(3,000)	(3,000)	(3,000)
Profit for the period attributable to the shareholders of the parent for basic and diluted earnings per share computation	<u>3,951</u>	<u>3,810</u>	<u>199</u>	<u>362</u>
Weighted average number of shares outstanding during the period, net of treasury shares (thousand)	<u>800,242</u>	<u>803,195</u>	<u>800,242</u>	<u>803,195</u>
<b>Basic and diluted earnings per share (fils)</b>	<b><u>4.94</u></b>	<b>4.74</b>	<b><u>0.25</u></b>	<b>0.45</b>

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 198.00 million (31 December 2022: BD 196.99 million). During the period, 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months period ended 30 June 2023**

**24 SIGNIFICANT RELATED PARTY TRANSACTIONS**

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

**30 June 2023**  
(Reviewed)

	<b>Associates</b>	<b>Directors / Key management personnel and shari'a board members</b>	<b>Parent / related entities / other significant shareholders / entities in which directors are interested</b>	<b>Assets under management (including special purpose entities)</b>	<b>Total</b>
	<b>BD '000</b>	<b>BD '000</b>	<b>BD '000</b>	<b>BD '000</b>	<b>BD '000</b>
<b>Assets</b>					
Financing assets	-	4,263	22,416	-	<b>26,679</b>
Investment in sukuk	-	-	57,333	-	<b>57,333</b>
Investment securities	-	-	2,506	-	<b>2,506</b>
Equity accounted investees	25,173	-	-	-	<b>25,173</b>
Other assets	-	-	568	86	<b>654</b>
<b>Liabilities</b>					
Placement from financial institutions, non-financial institutions and individuals	-	1,999	90,271	-	<b>92,270</b>
Customers' current accounts	1,110	3	5,640	467	<b>7,220</b>
Equity of investment account holders	336	1,849	80,048	127	<b>82,360</b>

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

Six months ended  
**30 June 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
<b>Income</b>					
Income from financing and Ijarah assets	-	122	50	-	172
Income from sukuk	-	-	1,083	-	1,083
Income from investment securities	-	-	-	-	-
Share of loss from equity accounted investees	(440)	-	-	-	(440)
Other income	-	-	2,424	-	2,424
<b>Expenses</b>					
Finance expense on placements from financial institutions, non- financial institutions and individuals	-	47	2,424	-	2,471
Return to investment account holders	9	44	1,000	3	1,056
Staff cost	-	799	-	-	799
Other operating expenses	-	298	-	14	312

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
<b>Assets</b>					
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
<b>Liabilities</b>					
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 six months period ended 30 June 2023**

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

Six months ended 30 June 2022 (Reviewed)	Associates  BD '000	Directors / Key management personnel and shari'a board members  BD '000	Parent / other significant shareholders / entities in which directors are interested  BD '000	Assets under management (including special purpose entities)  BD '000	Total  BD '000
Income					
Income from financing and ljarah assets	-	113	236	-	349
Share of loss from equity accounted investees	(682)	-	-	-	(682)
Expenses					
Finance expense on placements from financial institutions, non- financial institutions and individuals	-	38	-	-	38
Return to investment account holders	5	5	3,619	2	3,631
Staff cost	-	273	-	-	273
Other operating expenses	-	148	-	15	163

During the period, the Bank and its Parent entered into a swap agreement to swap investment properties with a carrying value of BD 6,583 thousand in exchange for unquoted equity securities of BD 5,844 thousand and investment in sukuk of BD 3,163 thousand resulting in a gain of BD 2,424 thousand (note 20).

During the period ended 30 June 2023, there were 2 land plots sold to a board member at their carrying value. The total carrying value for these lands was BD 558 thousand.

During the period, the Group paid profit distribution on its AT1 to the Parent for an amount of BD 2,833 thousand (2022: BD 5,666 thousand).

**25 SEGMENT INFORMATION**

30 June 2023 (Reviewed)	Corporate and Retail Banking BD '000	Investment Banking BD '000	Unallocated BD '000	Total BD '000
Segment revenue	43,956	832	-	44,788
Segment results	10,603	428	(4,080)	6,951
Segment assets	1,264,905	192,543	16,238	1,473,686
30 June 2022 (Reviewed)	Corporate and Retail Banking BD '000	Investment Banking BD '000	Unallocated BD '000	Total BD '000
Segment revenue	27,131	(220)	-	26,911
Segment results	11,175	(589)	(3,776)	6,810
Segment assets	926,583	294,557	15,651	1,236,791

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months period ended 30 June 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 425,156 thousand (31 December 2022: BD 404,822 thousand) is BD 410,446 thousand as at 30 June 2023 (31 December 2022: BD 392,127 thousand).

In case of financing assets and lease receivables, the average profit rate of the overall portfolio is not significantly different to the current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the current carrying value would not be materially different to the expected fair value of this portfolio of 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).

**30 June 2023 (Reviewed)**

	<b>Level 1 BD '000</b>	<b>Level 2 BD '000</b>	<b>Level 3 BD '000</b>	<b>Total BD '000</b>
Structured notes at fair value through income statement	-	15,186	-	<b>15,186</b>
Other debt-type instruments at fair value through income statement	-	30,914	-	<b>30,914</b>
Debt-type sukuk at fair value through equity	-	63,901	-	<b>63,901</b>
Equity-type sukuk at fair value through equity	-	57,333	-	<b>57,333</b>
Equity-type securities carried at fair value through equity	-	-	24,170	<b>24,170</b>
	-	<b>167,334</b>	<b>24,170</b>	<b>191,504</b>

**31 December 2022 (Audited)**

	<b>Level 1 BD '000</b>	<b>Level 2 BD '000</b>	<b>Level 3 BD '000</b>	<b>Total BD '000</b>
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
	-	<b>133,617</b>	<b>18,738</b>	<b>152,355</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months period ended 30 June 2023**

26 *FINANCIAL INSTRUMENTS (continued)*

The following table analyses the movement in Level 3 financial assets during the six month period ended 30 June 2023:

	<b>30 June 2023 BD '000 (Reviewed)</b>	30 June 2022 BD '000 (Reviewed)
At 1 January	18,738	15,353
Fair value loss in income statement	(28)	(29)
Movement in investment fair value reserve	(384)	(247)
Transfer from assets held for sale	-	1,445
Additions (note 24)	5,844	-
	<b>24,170</b>	<b>16,522</b>

During the six months periods ended 30 June 2023 and 30 June 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:

**30 June 2023** (Reviewed)

Valuation technique used	Key unobservable inputs	Fair value at 30 June 2023 BD '000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation BD '000
Market multiples approach	Enterprise value to EBITDA	2,817	+/- 5%	117 / (117)
Market multiples approach	Price to book value	5,101	+/- 5%	164 / (164)
Market multiples approach	Price to total assets	1,142	+/- 5%	-
Discounted cash flow	Cost of equity and terminal growth rate	735	+/- 5%	27 / (27)
Adjusted Net Asset Value	Change in net asset value	14,375	+/- 5%	719 / (719)
		<b>24,170</b>		

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
for the six months period ended 30 June 2023

26 *FINANCIAL INSTRUMENTS (continued)*

31 December 2022 (Audited)

Valuation technique used	Key unobservable inputs	Fair value at 30 December 2022 BD '000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation BD '000
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:

**30 June 2023**

	Carrying amount BD '000 (Reviewed)	Fair value BD '000 (Reviewed)
<b>Financial assets:</b>		
Investment in sukuk	546,390	531,680
Financing assets	328,210	328,210
Ijarah assets	210,641	210,641
Investment securities	70,270	70,270
	<b>1,155,511</b>	<b>1,140,801</b>
<b>Financial liabilities:</b>		
Customers' current accounts	<b>86,543</b>	<b>86,543</b>

**31 December 2022**

	Carrying amount BD '000 (Audited)	Fair value BD '000 (Audited)
<b>Financial assets:</b>		
Investment in sukuk	523,332	510,674
Financing assets	321,135	321,135
Ijarah assets	183,725	183,725
Investment securities	33,637	33,637
	<b>1,061,829</b>	<b>1,049,171</b>
<b>Financial liabilities:</b>		
Customers' current accounts	<b>50,955</b>	<b>50,955</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months period ended 30 June 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 30 June 2023, the Bank is required to maintain LCR greater than 100%. As of 30 June 2023, the Bank had LCR ratio of 191.63% (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 30 June 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	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>					
Regulatory Capital	158,109	-	-	10,122	168,231
Other Capital Instruments	-	-	-	-	-
<b>Retail deposits and deposits from small business customers:</b>					
Stable deposits	-	52,809	14,228	7,669	71,354
Less Stable deposits	-	127,425	102,877	44,690	251,962
<b>Wholesale funding:</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	696,319	151,911	97,614	287,486
<b>Other liabilities:</b>					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	20,872	-	-	-
<b>Total ASF</b>	<b>158,109</b>	<b>897,425</b>	<b>269,016</b>	<b>160,095</b>	<b>779,033</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months period ended 30 June 2023**

27 *REGULATORY RATIOS (continued)*

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

<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	496,659	-	-	-	24,619
<b>Performing financing assets and loans / securities</b>					
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	-	115,698	-	-	17,355
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	70,969	34,380	316,110	316,009
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	26,799	17,419
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	106,436	69,183
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	116,616	26,117	-	102,786	222,134
<b>Other Assets:</b>					
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	80,251	-	-	-	80,251
OBS items	64,543	-	-	-	3,227
<b>Total RSF</b>	<b>758,069</b>	<b>212,784</b>	<b>34,380</b>	<b>525,332</b>	<b>732,778</b>
<b>NSFR%</b>					<b>106.31%</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months period ended 30 June 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 six months period ended 30 June 2023**

27 *REGULATORY RATIOS (continued)*

c. *Capital Adequacy Ratio*

	<b>30 June 2023</b> BD '000	31 December 2022 BD '000
CET 1 Capital before regulatory adjustments	110,887	110,385
Less: regulatory adjustments	-	-
<i>CET 1 Capital after regulatory adjustments</i>	110,887	110,385
<i>T1 Capital</i>	47,222	47,222
T 2 Capital adjustments	7,977	9,703
<b>Regulatory Capital</b>	<b>166,086</b>	167,310
<b>Risk weighted exposure:</b>		
Credit Risk Weighted Assets	638,178	776,223
Market Risk Weighted Assets	7,631	7,625
Operational Risk Weighted Assets	73,146	73,146
<b>Total Regulatory Risk Weighted Assets</b>	<b>718,955</b>	856,994
Investment risk reserve (30% only)	-	-
Profit equalization reserve (30% only)	-	-
<b>Total Adjusted Risk Weighted Exposures</b>	<b>718,955</b>	856,994
<b>Capital Adequacy Ratio</b>	<b>23.10%</b>	19.52%
<b>Tier 1 Capital Adequacy Ratio</b>	<b>21.99%</b>	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 period. Such regrouping did not affect previously reported profit for the period or total equity.