

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

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

**30 September 2023**

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the nine months ended 30 September 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.**  
**Manama, Kingdom of Bahrain**

## Introduction

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

7 November 2023

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

|  | Note | 30 September<br>2023<br>BD '000<br>(Reviewed) | 31 December<br>2022<br>BD '000<br>(Audited) |
|--|------|---|---|
| <b>ASSETS</b>  |      |   |   |
| Cash and bank balances   |      | 132,062                                       | 149,093                                     |
| Placements with financial institutions   |      | 55,630  | 62,630                                      |
| Investment in sukuk  | 7    | 528,866                                       | 523,332                                     |
| Financing assets   | 8    | 327,473                                       | 321,135                                     |
| Ijarah assets  | 9    | 204,014                                       | 183,725                                     |
| Investment securities  | 10   | 70,992  | 33,637                                      |
| Assets held-for-sale   | 11   | 4,341   | 4,341                                       |
| Investment in real estate  |      | 84,175  | 96,947                                      |
| Equity accounted investees   | 12   | 24,862  | 24,522                                      |
| Other assets   | 13   | 27,091  | 22,901                                      |
| Property and equipment   |      | 3,371   | 3,431                                       |
| <b>Total assets</b>  |      | <b>1,462,877</b>                              | <b>1,425,694</b>                            |
| <b>LIABILITIES</b>   |      |   |   |
| Placements from financial institutions   |      | 264,368                                       | 240,080                                     |
| Placements from non-financial institutions and individuals                       |      | 241,112                                       | 215,364                                     |
| Term financing from financial institutions                                       |      | 174,857                                       | 130,955                                     |
| Customers' current accounts  |      | 60,722  | 50,955                                      |
| Other liabilities  | 14   | 21,765  | 25,437                                      |
| <b>Total liabilities</b>   |      | <b>762,824</b>                                | <b>662,791</b>                              |
| <b>Equity of investment accountholders</b>                                       |      |   |   |
| - From financial institutions  |      | 93,245  | 159,926                                     |
| - From non-financial institutions and individuals                                |      | 447,428                                       | 445,207                                     |
| <b>Total equity of investment accountholders</b>                                 | 15   | <b>540,673</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  |      | (8,537)                                       | (5,790)                                     |
| Retained earnings  |      | 22,021  | 16,171                                      |
| <b>Equity attributable to parent's shareholders</b>                              |      | <b>103,523</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>159,380</b>                                | <b>157,770</b>                              |
| <b>Total liabilities, equity of investment accountholders and owners' equity</b> |      | <b>1,462,877</b>                              | <b>1,425,694</b>                            |

The Board of Directors approved the condensed consolidated interim financial information on 7 November 2023 and signed on its behalf by:

Hisham Ahmed Al Rayes  
Chairman

Sh. Ahmed Bin Isa Al Khalifa  
Vice Chairman

Sattam Sulaiman Algosaiabi  
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 nine months period ended 30 September 2023

|   | Note | Nine months ended                                |  | Three months ended                               |  |
|---|------|--|--|--|--|
|   |      | 30<br>September<br>2023<br>BD '000<br>(Reviewed) | 30<br>September<br>2022<br>BD '000<br>(Reviewed) | 30<br>September<br>2023<br>BD '000<br>(Reviewed) | 30<br>September<br>2022<br>BD '000<br>(Reviewed) |
| Income from financing and Ijarah assets   |      | 30,881   | 25,800   | 10,635   | 9,598  |
| Income from placements with financial institutions  |      | 2,925  | 308  | 1,475  | 196  |
| Income from sukuk   |      | 24,131   | 15,823   | 7,826  | 6,362  |
| Income from investment securities   |      | 1,744  | 65   | 490  | (396)  |
| Share of loss from equity accounted investees   |      | (751)  | (908)  | (311)  | (226)  |
| Fees and other income, net  | 20   | 7,763  | 2,545  | 1,790  | 1,188  |
| <b>Total income before return to investment accountholders</b>  |      | <b>66,693</b>                                    | <b>43,633</b>                                    | <b>21,905</b>                                    | <b>16,722</b>                                    |
| Return to investment accountholders before Bank's share as Mudarib                                    |      | (20,946)   | (24,120)   | (7,464)  | (7,948)  |
| Bank's share as a Mudarib   |      | 5,092  | 13,328   | 1,934  | 4,182  |
| <b>Return to investment accountholders</b>  |      | <b>(15,854)</b>                                  | <b>(10,792)</b>                                  | <b>(5,530)</b>                                   | <b>(3,766)</b>                                   |
| Finance expense on placements from financial institutions, non-financial institutions and individuals |      | (22,707)   | (8,523)  | (7,889)  | (3,888)  |
| Finance expense on term financing from financial institutions   |      | (7,562)  | (2,678)  | (2,692)  | (1,260)  |
| <b>Total income</b>   |      | <b>20,570</b>                                    | <b>21,640</b>                                    | <b>5,794</b>                                     | <b>7,808</b>                                     |
| Staff cost  |      | 4,636  | 4,960  | 1,174  | 1,307  |
| Other operating expenses  |      | 5,368  | 3,839  | 2,026  | 1,298  |
| <b>Total expenses</b>   |      | <b>10,004</b>                                    | <b>8,799</b>                                     | <b>3,200</b>                                     | <b>2,605</b>                                     |
| <b>Profit before impairment allowances</b>  |      | <b>10,566</b>                                    | <b>12,841</b>                                    | <b>2,594</b>                                     | <b>5,203</b>                                     |
| Net impairment charge   | 21   | (1,161)  | (1,957)  | (140)  | (1,129)  |
| <b>PROFIT FOR THE PERIOD</b>  |      | <b>9,405</b>                                     | <b>10,884</b>                                    | <b>2,454</b>                                     | <b>4,074</b>                                     |
| <b>Attributable to:</b>   |      |  |  |  |  |
| Shareholders of the parent  |      | 9,405  | 10,884   | 2,454  | 4,074  |
| Non-controlling interest  |      | -  | -  | -  | -  |
|   |      | <b>9,405</b>                                     | <b>10,884</b>                                    | <b>2,454</b>                                     | <b>4,074</b>                                     |
| <b>Earnings per share</b>   |      |  |  |  |  |
| Basic and diluted earnings per share (fils)   | 22   | <b>8.004</b>                                     | 9.827  | <b>3.067</b>                                     | 5.092  |

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 nine months period ended 30 September 2023**

| 30 September 2023 (Reviewed)                                  | Equity attributable to parent's shareholders |                      |                    |                                     |                      | Perpetual<br>Mudaraba<br>(AT1)<br>BD '000 | Non-<br>controlling<br>interest<br>BD '000 | Total<br>owners'<br>equity<br>BD '000 |                |
|---|--|----------------------|--------------------|-------------------------------------|----------------------|---|--|---------------------------------------|----------------|
|   | Share<br>capital                             | Statutory<br>reserve | Treasury<br>shares | Investment<br>fair value<br>reserve | Retained<br>earnings |   |  |                                       | Total          |
|   | BD '000                                      | BD '000              | BD '000            | BD '000                             | BD '000              |   |  |                                       | BD '000        |
| Balance at 1 January 2023                                     | 84,783                                       | 11,510               | (6,254)            | (5,790)                             | 16,171               | 100,420                                   | 47,222                                     | 10,128                                | 157,770        |
| Net fair value changes  | -  | -                    | -                  | (2,747)                             | -                    | (2,747)                                   | -  | -                                     | (2,747)        |
| Profit for the period   | -  | -                    | -                  | -                                   | 9,405                | 9,405                                     | -  | -                                     | 9,405          |
| <b>Total recognised income and<br/>expense for the period</b> | -  | -                    | -                  | <b>(2,747)</b>                      | <b>9,405</b>         | <b>6,658</b>                              | -  | -                                     | <b>6,658</b>   |
| Transfer to Zakah fund  | -  | -                    | -                  | -                                   | (555)                | (555)                                     | -  | -                                     | (555)          |
| Profit distribution on Perpetual<br>Mudaraba                  | -  | -                    | -                  | -                                   | (3,000)              | (3,000)                                   | -  | -                                     | (3,000)        |
| Loss of control   | -  | -                    | -                  | -                                   | -                    | -   | -  | (1,493)                               | (1,493)        |
| <b>Balance at 30 September 2023</b>                           | <b>84,783</b>                                | <b>11,510</b>        | <b>(6,254)</b>     | <b>(8,537)</b>                      | <b>22,021</b>        | <b>103,523</b>                            | <b>47,222</b>                              | <b>8,635</b>                          | <b>159,380</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 nine months period ended 30 September 2023 (Continued)**

| 30 September 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 |
| Fair value changes                                 | -  | -                 | -               | (7,526)                       | -                 | (7,526)                  | -                        | -                    | (7,526) |
| Profit for the period                              | -  | -                 | -               | -                             | 10,884            | 10,884                   | -                        | -                    | 10,884  |
| Total recognised income and expense for the period | -  | -                 | -               | (7,526)                       | 10,884            | 3,358                    | -                        | -                    | 3,358   |
| Cancellation of Treasury shares (note 16)          | (4,429)                                      | -                 | 5,963           | -                             | (1,534)           | -                        | -                        | -                    | -       |
| Purchase of treasury shares                        | -  | -                 | (291)           | -                             | -                 | (291)                    | -                        | -                    | (291)   |
| 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 September 2022                       | 84,783                                       | 10,110            | (6,254)         | (7,339)                       | 17,448            | 98,748                   | 47,222                   | 10,128               | 156,098 |

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 nine months period ended 30 September 2023**

|   | <b>Nine months<br/>ended<br/>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>Nine months<br/>ended<br/>30 September<br/>2022<br/>BD '000<br/>(Reviewed)</b> |
|---|---|---|
| <b>OPERATING ACTIVITIES</b>   |   |   |
| Payments of financing assets, net   | (7,757)   | (6,841)   |
| Payments for Ijarah assets, net   | (19,971)  | (20,015)  |
| Income received from short-term placements  | 2,925   | 308   |
| Returns paid to investment accountholders   | (14,116)  | (10,554)  |
| Withdrawals from investment accountholders, net   | (64,459)  | (80,160)  |
| Payments for expenses   | (16,847)  | (17,830)  |
| Other receipts  | 5,050   | 2,424   |
| Contributions paid to charitable organisations  | (598)   | (370)   |
| Receipts from customers' current accounts, net  | 9,767   | 7,948   |
| Receipts from placements from financial institutions, net   | 24,288  | 107,034   |
| Receipts from placements from non-financial institutions and individuals, net                                     | 25,749  | 38,999  |
| Net payments to CBB reserve account   | (2,802)   | (10,339)  |
| Profit expense paid on placements   | (22,708)  | (8,523)   |
| <b>Net cash (used in) / generated from operating activities</b>   | <b>(81,479)</b>   | <b>2,081</b>  |
| <b>INVESTING ACTIVITIES</b>   |   |   |
| Purchase of sukuk   | (129,881)   | (174,020)   |
| Proceeds from sale / redemption of sukuk  | 128,210   | 65,604  |
| Income from sukuk received  | 24,390  | 16,469  |
| (Purchase) / sale of investment in real estate  | (1,803)   | 3,229   |
| Income from investment in real estate   | 155   | -   |
| Income from investment securities   | 762   | 950   |
| Purchase of property and equipment, net   | (526)   | (167)   |
| Net movement in margin call   | 1,671   | -   |
| <b>Net cash generated from / (used in) investing activities</b>   | <b>22,978</b>   | <b>(87,935)</b>   |
| <b>FINANCING ACTIVITIES</b>   |   |   |
| Purchase of treasury shares, net  | -   | (291)   |
| Receipts of term financing from financial institutions, net   | 43,901  | 57,102  |
| Payments of finance expense on term financing from financial institutions   | (7,562)   | (2,678)   |
| Profit distribution on AT 1 Capital   | (3,000)   | (3,000)   |
| <b>Net cash generated from financing activities</b>   | <b>33,339</b>   | <b>51,133</b>   |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(25,162)</b>   | <b>(34,721)</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>149,176</b>  | <b>100,495</b>  |
| <b>Cash and cash equivalents comprises:*</b>  |   |   |
| Cash and bank balances (excluding CBB reserve)  | 103,465   | 93,474  |
| Placement with financial institutions with original maturities of 90 days or less (excluding margin call account) | 45,711  | 7,021   |
|   | <b>149,176</b>  | <b>100,495</b>  |

\* Cash and cash equivalents is net of the expected credit loss of BD 1 thousand (30 September 2022: BD nil 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 nine months period ended 30 September 2023**

| 30 September 2023 (Reviewed)              | Balance at 1 January 2023 |                         |              | Movements during the period |                           |              |                |                         | Balance at 30 September 2023 |             |                         |              |
|---|---------------------------|-------------------------|--------------|-----------------------------|---------------------------|--------------|----------------|-------------------------|------------------------------|-------------|-------------------------|--------------|
|   | No of units               | Average value per share | Total        | Investment / (withdrawals)  | Revaluation / Adjustm-ent | Gross income | Dividends paid | Bank's fees as an agent | Adminstr-ation 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 September 2022 (Reviewed)              | Balance at 1 January 2022 |                         |              | Movements during the period |                            |              |                |                         | Balance at 30 September 2022 |             |                         |              |
|---|---------------------------|-------------------------|--------------|-----------------------------|----------------------------|--------------|----------------|-------------------------|------------------------------|-------------|-------------------------|--------------|
|   | No of units               | Average value per share | Total        | Investment / (withdrawals)  | Revaluat-ion / Adjustm-ent | Gross income | Dividends paid | Bank's fees as an agent | Adminstra-tion expenses      | No of units | Average value per share | Total        |
|   | (000)                     | BD                      | BD 000's     | BD 000's                    | BD 000's                   | BD 000's     | BD 000's       | BD 000's                | BD 000's                     | (000)       | BD                      | BD 000's     |
| Safana Investment WLL (RIA 1) and NS 12   | 1,247                     | 1.00                    | 1,247        | -                           | -                          | -            | -              | -                       | -                            | 1,247       | 1.00                    | 1,247        |
| Shaden Real Estate Investment WLL (RIA 5) | 269                       | 1.00                    | 269          | -                           | -                          | -            | -              | -                       | -                            | 269         | 1.00                    | 269          |
|   |                           |                         | <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 nine months period ended 30 September 2023**

|  | <b>Nine months<br/>ended<br/>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | Nine months<br>ended<br>30 September<br>2022<br>BD '000<br>(Reviewed) |
|--|---|---|
| <b>Sources of zakah and charity fund</b>                         |   |   |
| At 1 January   | 522   | 471   |
| Contributions by the Bank  | 555   | 402   |
| Non-Islamic income   | 28  | 16  |
| <b>Total sources</b>   | <b>1,105</b>  | 889   |
| <b>Uses of zakah and charity fund</b>                            |   |   |
| Contributions to charitable organisations                        | (598)   | (370)   |
| <b>Total uses</b>  | <b>(598)</b>  | (370)   |
| <b>Undistributed zakah and charity fund at end of the period</b> | <b>507</b>  | 519   |

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 nine months period ended 30 September 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 nine months ended 30 September 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**  
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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.

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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.

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**7 INVESTMENT IN SUKUK**

|   | <b>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|---|---|---|
| <b>Debt type instruments - at amortised cost</b>              |   |   |
| - Quoted sukuk*   | 404,599   | 404,822   |
| - Unquoted sukuk  | 1,317   | 1,317   |
| Less: impairment allowance                                    | (1,586)   | (1,524)   |
| <b>Debt type instruments – at fair value through equity</b>   |   |   |
| -Quoted sukuk**   | 62,799  | 64,546  |
| <b>Equity type instruments – at fair value through equity</b> |   |   |
| -Quoted sukuk   | 61,737  | 54,171  |
|   | <b>528,866</b>  | <b>523,332</b>  |

\* As of 30 September 2023, out of sukuk of BD 404,599 thousand (31 December 2022: BD 404,822 thousand), BD 246,006 thousand (31 December 2022: BD 234,229 thousand) were pledged against term financing from financial institutions of BD 125,584 thousand (31 December 2022: BD 81,753 thousand).

\*\* Fair value loss reserve amounted to BD 8,058 thousand (31 December 2022: BD 5,652 thousand).

**8 FINANCING ASSETS**

|                                   | <b>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|-----------------------------------|---|---|
| Murabaha (net of deferred profit) | 338,748   | 332,324   |
| Mudaraba                          | 7,870   | 6,536   |
| Wakala                            | -   | 90  |
| <b>Gross financing assets</b>     | <b>346,618</b>  | <b>338,950</b>  |
| Less: Impairment allowance        | (19,145)  | (17,815)  |
| <b>Net financing assets</b>       | <b>327,473</b>  | <b>321,135</b>  |

Murabaha financing assets are net of deferred profits of BD 18,994 thousand (31 December 2022: BD 18,900 thousand).

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

8 *FINANCING ASSETS (continued)*

The movement in the financing assets is as follows:

| <b>30 September 2023 (Reviewed)</b>                  | <b>Stage 1<br/>BD '000</b> | <b>Stage 2<br/>BD '000</b> | <b>Stage 3<br/>BD '000</b> | <b>POCI*<br/>BD '000</b> | <b>Total<br/>BD '000</b> |
|--|----------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| <b>Gross financing assets</b>                        | <b>243,220</b>             | <b>63,667</b>              | <b>37,612</b>              | <b>2,119</b>             | <b>346,618</b>           |
| Less: Impairment allowance                           |                            |                            |                            |                          |                          |
| At 1 January 2023                                    | 4,499                      | 3,360                      | 9,335                      | 621                      | 17,815                   |
| Net movement between stages                          | (1,730)                    | 375                        | 1,355                      | -                        | -                        |
| Net charge for the period                            | (1,493)                    | 2,453                      | 382                        | 78                       | 1,420                    |
| Write-off  | -                          | -                          | (90)                       | -                        | (90)                     |
| Disposal   | -                          | -                          | -                          | -                        | -                        |
| <b>Impairment allowance at<br/>30 September 2023</b> | <b>1,276</b>               | <b>6,188</b>               | <b>10,982</b>              | <b>699</b>               | <b>19,145</b>            |
| <b>Net financing assets</b>                          | <b>241,944</b>             | <b>57,479</b>              | <b>26,630</b>              | <b>1,420</b>             | <b>327,473</b>           |
| <br>   |                            |                            |                            |                          |                          |
| <b>31 December 2022 (Audited)</b>                    | <b>Stage 1<br/>BD '000</b> | <b>Stage 2<br/>BD '000</b> | <b>Stage 3<br/>BD '000</b> | <b>POCI*<br/>BD '000</b> | <b>Total<br/>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<br>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 26.79% (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 67.27% (31 December 2022: 44.05%) compared to their original contractual outstanding amounts.

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for the nine months period ended 30 September 2023

**9 IJARAH ASSETS**

|  | <b>30<br/>September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|--|---|---|
| <b>Cost</b>                                    |   |   |
| At 1 January                                   | 246,944   | 204,736   |
| Additions during the period                    | 34,548  | 58,289  |
| Settlements during the period                  | (13,051)  | (16,081)  |
| <b>At period end</b>                           | <b>268,441</b>  | 246,944   |
| <b>Accumulated depreciation / amortisation</b> |   |   |
| At 1 January                                   | 58,479  | 47,030  |
| Charge for period                              | 11,548  | 17,465  |
| Settlements during the period                  | (10,022)  | (6,016)   |
| <b>At period end</b>                           | <b>60,005</b>   | 58,479  |
| Less: Impairment allowance                     | (4,422)   | (4,740)   |
| <b>Net book value at period end</b>            | <b>204,014</b>  | 183,725   |

The movement in ijarah assets is as follows:

**30 September 2023 (Reviewed)**

|  | <b>Stage 1<br/>BD '000</b> | <b>Stage 2<br/>BD '000</b> | <b>Stage 3<br/>BD '000</b> | <b>Total<br/>BD '000</b> |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| <b>Ijarah assets</b>                                 | <b>160,618</b>             | <b>35,388</b>              | <b>12,430</b>              | <b>208,436</b>           |
| Less: Impairment allowance                           |                            |                            |                            |                          |
| At 1 January 2023                                    | 831                        | 1,001                      | 2,908                      | 4,740                    |
| Net movement between stages                          | 28                         | 15                         | (43)                       | -                        |
| Net charge for the period                            | (520)                      | (598)                      | 800                        | (318)                    |
| <b>Impairment allowance<br/>at 30 September 2023</b> | <b>339</b>                 | <b>418</b>                 | <b>3,665</b>               | <b>4,422</b>             |
| <b>Ijarah assets carrying amount</b>                 | <b>160,279</b>             | <b>34,970</b>              | <b>8,765</b>               | <b>204,014</b>           |

**31 December 2022 (Audited)**

|   | <b>Stage 1<br/>BD '000</b> | <b>Stage 2<br/>BD '000</b> | <b>Stage 3<br/>BD '000</b> | <b>Total<br/>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<br/>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 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(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   | 387   | 516   |
| Redemption   | -   | (763)   |
| Changes in fair value  | (251)   | (384)   |
|  | <b>15,036</b>   | <b>14,900</b>   |
| <i>Other debt type investment at fair value through income statement</i> |   |   |
| Quoted debt securities   | 31,974  | -   |
|  | <b>31,974</b>   | -   |
| <i>At fair value through equity</i>                                      |   |   |
| Unquoted equity securities   | 23,982  | 18,737  |
|  | <b>23,982</b>   | <b>18,737</b>   |
|  | <b>70,992</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 September 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.

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**12 EQUITY ACCOUNTED INVESTEEES**

|   | <b>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(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                                | (751)   | (1,252)   |
| <b>At end of the period</b>                                 | <b>24,862</b>   | <b>24,522</b>   |

**13 OTHER ASSETS**

|                           | <b>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|---------------------------|---|---|
| Profit accrued on sukuk   | 6,755   | 5,779   |
| Right-of-use asset        | 1,473   | 499   |
| Prepaid expenses          | 599   | 870   |
| Due from investments      | 324   | 279   |
| Receivable from customers | 4,564   | 4,564   |
| Repossessed assets        | 5,662   | 4,938   |
| Other receivables         | 7,714   | 5,972   |
|                           | <b>27,091</b>   | <b>22,901</b>   |

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

|  | <b>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|--|---|---|
| Balance as at 1 January                            | 499   | 820   |
| Additional right-of-use assets for the period, net | 1,287   | 228   |
| Amortisation charge during the period              | (313)   | (549)   |
| <b>Balance as at period end</b>                    | <b>1,473</b>  | <b>499</b>  |

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

**14 OTHER LIABILITIES**

|                                       | <b>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|---------------------------------------|---|---|
| Payable to investors*                 | 7,120   | 10,542  |
| Mudaraba profit accrual               | 6,708   | 4,970   |
| Net Ijarah liability                  | 1,434   | 404   |
| Advance received from customers       | 100   | 231   |
| Zakah and charity payable             | 507   | 522   |
| Employee related accruals             | 722   | 1,453   |
| Payable for Istisna'a contracts       | 27  | 27  |
| Other payables and accrued expenses** | 5,147   | 7,288   |
|                                       | <b>21,765</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 61 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 September 2023 (reviewed)</b> |                            |                                 |
|--------------------|-------------------------------------|----------------------------|---------------------------------|
| Maturity analysis  | Gross ijarah liability<br>BD '000   | Deferred ijarah<br>BD '000 | Net ijarah liability<br>BD '000 |
| Less than one year | 410                                 | (15)                       | 395                             |
| One to five years  | 1,120                               | (81)                       | 1,039                           |
| <b>Total</b>       | <b>1,530</b>                        | <b>(96)</b>                | <b>1,434</b>                    |

  

|                    | <b>31 December 2022 (audited)</b> |                            |                                 |
|--------------------|-----------------------------------|----------------------------|---------------------------------|
| Maturity analysis  | Gross ijarah liability<br>BD '000 | Deferred ijarah<br>BD '000 | Net ijarah liability<br>BD '000 |
| 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 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|---|---|---|
| From financial institutions                     | 93,245  | 159,926   |
| From non-financial institutions and individuals | 447,428   | 445,207   |
|   | <b>540,673</b>  | <b>605,133</b>  |

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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 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|--|---|---|
| Balances with banks                    | -   | 94,191  |
| CBB reserve account                    | 28,597  | 25,795  |
| Placements with financial institutions | -   | 62,631  |
| Investment in sukuk                    | 83,617  | 172,029   |
| Financing assets                       | 383,681   | 250,487   |
| Investment securities                  | 26,925  | -   |
| Investment in real estate              | 17,145  | -   |
| Other assets                           | 708   | -   |
|  | <b>540,673</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 September 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 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(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 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>31 December<br/>2022<br/>BD '000<br/>(Audited)</b> |
|--|---|---|
| Undrawn commitments to extend finance* | 46,020  | 37,894  |
| Financial guarantees                   | 15,665  | 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 3 thousand (2022: BD 15 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 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | <b>30 September<br/>2022<br/>BD '000<br/>(Reviewed)</b> |
|---|---|---|
| Fees income                                   | 809   | 653   |
| Foreign exchange gain                         | 750   | 893   |
| Recovery of written-off assets                | 2,579   | 826   |
| Gain on disposal of investment in real estate | 3,523   | -   |
| Others  | 102   | 173   |
|   | <b>7,763</b>  | <b>2,545</b>  |

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

**21 NET IMPAIRMENT CHARGE**

|  | <b>30 September<br/>2023</b> | 30 September<br>2022 |
|--|------------------------------|----------------------|
|  | <b>BD '000</b>               | BD '000              |
|  | (Reviewed)                   | (Reviewed)           |
| Financing assets (note 8)                      | 1,420                        | 2,309                |
| Investments in sukuk (note 7)                  | 62                           | 181                  |
| Ijarah assets (note 9)                         | (318)                        | (549)                |
| Commitments and financial guarantees (note 18) | (3)                          | 16                   |
|  | <b>1,161</b>                 | <b>1,957</b>         |

Movement on ECL in various stages during the period:

| <b>30 September 2023</b><br>(Reviewed)         | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>POCI</b>    | <b>Total</b>   |
|--|----------------|----------------|----------------|----------------|----------------|
|  | <b>BD '000</b> | <b>BD '000</b> | <b>BD '000</b> | <b>BD '000</b> | <b>BD '000</b> |
| ECL balance at 1 January                       | 5,593          | 4,362          | 13,568         | 621            | <b>24,144</b>  |
| Transfer to Stage 1                            | 689            | (485)          | (204)          | -              | -              |
| Transfer to Stage 2                            | (1,536)        | 1,576          | (40)           | -              | -              |
| Transfer to Stage 3                            | (874)          | (683)          | 1,557          | -              | -              |
| Net movement                                   | (1,721)        | 408            | 1,312          | -              | -              |
| Charge for the period (net)                    | (1,955)        | 1,858          | 1,180          | 78             | 1,161          |
| Write-off                                      | -              | -              | (90)           | -              | (90)           |
| Disposals                                      | -              | -              | -              | -              | -              |
| <b>ECL balance as at<br/>30 September 2023</b> | <b>1,917</b>   | <b>6,628</b>   | <b>15,971</b>  | <b>699</b>     | <b>25,215</b>  |

**30 September 2023** (Reviewed)

|  | <b>Stage 1: 12-<br/>month ECL</b> | <b>Stage 2: Life<br/>time ECL<br/>non-credit<br/>impaired</b> | <b>Stage 3:<br/>Life time<br/>ECL credit<br/>impaired *</b> | <b>Total</b>   |
|--|-----------------------------------|---|---|----------------|
|  | <b>BD '000</b>                    | <b>BD '000</b>  | <b>BD '000</b>  | <b>BD '000</b> |
| Balances and placements with<br>banks and financial institutions | 1                                 | -   | -   | 1              |
| Financing assets (note 8)  | 1,276                             | 6,188   | 11,681  | 19,145         |
| Investments in sukuk   | 268                               | -   | 1,318   | 1,586          |
| Ijarah assets (note 9)   | 339                               | 418   | 3,665   | 4,422          |
| Commitments and financial<br>guarantees                          | 33                                | 22  | 6   | 61             |
|  | <b>1,917</b>                      | <b>6,628</b>  | <b>16,670</b>   | <b>25,215</b>  |

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

21 *NET IMPAIRMENT CHARGE (continued)*

| 30 September 2022<br>(Reviewed)   | Stage 1<br>BD '000 | Stage 2<br>BD '000 | Stage 3<br>BD '000 | POCI<br>BD '000 | Total<br>BD '000 |
|-----------------------------------|--------------------|--------------------|--------------------|-----------------|------------------|
| ECL balance at 1 January          | 6,949              | 2,680              | 17,471             | 612             | 27,712           |
| Transfer to Stage 1               | 661                | (493)              | (168)              | -               | -                |
| Transfer to Stage 2               | (101)              | 121                | (20)               | -               | -                |
| Transfer to Stage 3               | (77)               | (276)              | 353                | -               | -                |
| Net movement                      | 483                | (648)              | 165                | -               | -                |
| Charge for the period (net)       | 2                  | 1,557              | 286                | 112             | 1,957            |
| Write-off                         | -                  | -                  | -                  | -               | -                |
| Disposal                          | -                  | -                  | (1,107)            | -               | (1,107)          |
| ECL balance as at<br>30 September | 7,434              | 3,589              | 16,815             | 724             | 28,562           |

| 30 September 2022 (Reviewed)                                     | Stage 1: 12-<br>month ECL<br>BD '000 | Stage 2: Life<br>time ECL non-<br>credit<br>impaired<br>BD '000 | Stage 3:<br>Life time<br>ECL credit<br>impaired *<br>BD '000 | Total<br>BD '000 |
|--|--------------------------------------|---|--|------------------|
| Balances and placements with<br>banks and financial institutions | -                                    | -   | -  | -                |
| Financing assets (note 8)  | 6,020                                | 2,900   | 13,572   | 22,492           |
| Investments in sukuk (note 7)                                    | 783                                  | -   | 1,318  | 2,101            |
| Ijarah assets (note 9)   | 537                                  | 687   | 2,643  | 3,867            |
| Commitments and financial<br>guarantees                          | 94                                   | 2   | 6  | 102              |
|  | 7,434                                | 3,589   | 17,539   | 28,562           |

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

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

**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>Nine months ended</b> |                   | <b>Three months ended</b> |                   |
|---|--------------------------|-------------------|---------------------------|-------------------|
|   | <b>30</b>                | <b>30</b>         | <b>30</b>                 | <b>30</b>         |
|   | <b>September</b>         | <b>September</b>  | <b>September</b>          | <b>September</b>  |
|   | <b>2023</b>              | <b>2022</b>       | <b>2023</b>               | <b>2022</b>       |
|   | <b>BD '000</b>           | <b>BD '000</b>    | <b>BD '000</b>            | <b>BD '000</b>    |
|   | <b>(Reviewed)</b>        | <b>(Reviewed)</b> | <b>(Reviewed)</b>         | <b>(Reviewed)</b> |
| Profit for the period attributable to the shareholders of the parent  | 9,405                    | 10,884            | 2,454                     | 4,075             |
| Less: Profit distribution on AT 1 Capital   | (3,000)                  | (3,000)           | -                         | -                 |
| Profit for the period attributable to the shareholders of the parent for basic and diluted earnings per share computation | 6,405                    | 7,884             | 2,454                     | 4,075             |
| Weighted average number of shares outstanding during the period, net of treasury shares (thousand)                        | 800,242                  | 802,238           | 800,242                   | 800,356           |
| <b>Basic and diluted earnings per share (fils)</b>  | <b>8.004</b>             | <b>9.827</b>      | <b>3.067</b>              | <b>5.092</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 196.27 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 nine months period ended 30 September 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 September 2023**  
(Reviewed)

|   | <b>Associates</b> | <b>Directors /<br/>Key<br/>management<br/>personnel<br/>and shari'a<br/>board<br/>members</b> | <b>Parent /<br/>related<br/>entities /<br/>other<br/>significant<br/>shareholders<br/>/ entities in<br/>which<br/>directors are<br/>interested</b> | <b>Assets under<br/>management<br/>(including<br/>special<br/>purpose<br/>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  | -                 | 4,223   | 22,883   | -   | <b>27,106</b>  |
| Investment in sukuk   | -                 | -   | 61,737   | -   | <b>61,737</b>  |
| Investment securities   | -                 | -   | 2,284  | 3,936   | <b>6,220</b>   |
| Equity accounted investees  | 24,862            | -   | -  | -   | <b>24,862</b>  |
| Other assets  | -                 | -   | 568  | 86  | <b>654</b>     |
| <b>Liabilities</b>  |                   |   |  |   |                |
| Placement from financial<br>institutions, non-financial<br>institutions and individuals | -                 | 2,132   | 81,869   | -   | <b>84,001</b>  |
| Customers' current accounts   | 1,284             | 16  | 9,501  | 451   | <b>11,252</b>  |
| Equity of investment account<br>holders   | 342               | 1,862   | 136,903  | 128   | <b>139,235</b> |
| Other liabilities   | -                 | 509   | -  | -   | <b>509</b>     |

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

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

**Nine months ended  
30 September 2023**  
(Reviewed)

|   | Associates | Directors /<br>Key<br>management<br>personnel<br>and shari'a<br>board<br>members | Parent /<br>related<br>entities /<br>other<br>significant<br>shareholders<br>/ entities in<br>which<br>directors are<br>interested | Assets under<br>management<br>(including<br>special<br>purpose<br>entities) | Total        |
|---|------------|--|--|---|--------------|
|   | BD '000    | BD '000  | BD '000  | BD '000   | BD '000      |
| <b>Income</b>   |            |  |  |   |              |
| Income from financing and<br>Ijarah assets  | -          | 180  | 1,794  | -   | <b>1,974</b> |
| Income from sukuk   | -          | -  | 2,194  | -   | <b>2,194</b> |
| Income from investment<br>securities  | -          | -  | -  | 422   | <b>422</b>   |
| Share of loss from equity<br>accounted investees  | (751)      | -  | -  | -   | <b>(751)</b> |
| Other income  | -          | -  | 3,523  | -   | <b>3,523</b> |
| <b>Expenses</b>   |            |  |  |   |              |
| Finance expense on placements<br>from financial institutions, non-<br>financial institutions and<br>individuals | -          | 73   | 3,229  | -   | <b>3,302</b> |
| Return to investment account<br>holders   | 14         | 65   | 3,212  | 5   | <b>3,296</b> |
| Staff cost  | -          | 1,206  | -  | -   | <b>1,206</b> |
| Other operating expenses  | -          | 331  | -  | 15  | <b>346</b>   |

**31 December 2022**  
(Audited)

|  | Associates | Directors /<br>Key<br>management<br>personnel and<br>shari'a board<br>members | Parent<br>company /<br>other<br>significant<br>shareholders /<br>entities in<br>which<br>directors are<br>interested | Assets under<br>management<br>(including<br>special<br>purpose<br>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<br>institutions, Non- non-financial<br>institutions and individuals | -          | 1,274   | 86,222   | -   | 87,496  |
| Customers' current accounts  | 723        | 69  | 5,572  | 451   | 6,815   |
| Equity of investment account<br>holders  | 362        | 1,084   | 226,111  | 219   | 227,776 |

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

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

| Nine months ended<br>30 September 2022<br>(Reviewed)  | Associates | Directors /<br>Key<br>management<br>personnel and<br>shari'a board<br>members | Parent / other<br>significant<br>shareholders /<br>entities in<br>which<br>directors are<br>interested | Assets under<br>management<br>(including<br>special<br>purpose<br>entities) | Total   |
|---|------------|---|--|---|---------|
|   | BD '000    | BD '000   | BD '000  | BD '000   | BD '000 |
| Income  |            |   |  |   |         |
| Income from financing and<br>ljarah assets  | -          | 245   | 356  | -   | 601     |
| Income from sukuk   | -          | -   | 1,083  | -   | 1,083   |
| Share of loss from equity<br>accounted investees  | (908)      | -   | -  | -   | (908)   |
| Expenses  |            |   |  |   |         |
| Finance expense on placements<br>from financial institutions, non-<br>financial institutions and<br>individuals | -          | 25  | 524  | -   | 549     |
| Return to investment account<br>holders   | 8          | 4   | 2,091  | 4   | 2,107   |
| Staff cost  | -          | 408   | -  | -   | 408     |
| Other operating expenses  | -          | 200   | -  | 22  | 222     |

During the period, the Bank and its Parent entered into swap agreements to swap investment properties with a carrying value of BD 9,886 thousand in exchange for unquoted equity securities of BD 5,844 thousand and investment in sukuk of BD 7,566 thousand resulting in a gain of BD 3,523 thousand.

During the period ended 30 September 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 September 2023**

(Reviewed)

|                 | Corporate<br>and Retail<br>Banking<br>BD '000 | Investment<br>Banking<br>BD '000 | Unallocated<br>BD '000 | Total<br>BD '000 |
|-----------------|---|----------------------------------|------------------------|------------------|
| Segment revenue | 62,065  | 4,628                            | -                      | <b>66,693</b>    |
| Segment results | 11,415  | 4,081                            | (6,090)                | <b>9,405</b>     |
| Segment assets  | 1,255,371                                     | 190,631                          | 16,875                 | <b>1,462,877</b> |

**30 September 2022**

(Reviewed)

|                 | Corporate and<br>Retail Banking<br>BD '000 | Investment<br>Banking<br>BD '000 | Unallocated<br>BD '000 | Total<br>BD '000 |
|-----------------|--|----------------------------------|------------------------|------------------|
| Segment revenue | 44,451                                     | (818)                            | -                      | 43,633           |
| Segment results | 17,906                                     | (1,517)                          | (5,505)                | 10,884           |
| Segment assets  | 980,831                                    | 297,560                          | 18,107                 | 1,296,498        |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the nine months period ended 30 September 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 404,599 thousand (31 December 2022: BD 404,822 thousand) is BD 390,741 thousand as at 30 September 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 September 2023 (Reviewed)**

|  | <b>Level 1<br/>BD '000</b> | <b>Level 2<br/>BD '000</b> | <b>Level 3<br/>BD '000</b> | <b>Total<br/>BD '000</b> |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Structured notes at fair value through income statement            | -                          | 15,036                     | -                          | <b>15,036</b>            |
| Other debt-type instruments at fair value through income statement | -                          | 31,974                     | -                          | <b>31,974</b>            |
| Debt-type sukuk at fair value through equity                       | -                          | 62,799                     | -                          | <b>62,799</b>            |
| Equity-type sukuk at fair value through equity                     | -                          | 61,737                     | -                          | <b>61,737</b>            |
| Equity-type securities carried at fair value through equity        | -                          | -                          | 23,982                     | <b>23,982</b>            |
|  | -                          | <b>171,546</b>             | <b>23,982</b>              | <b>195,528</b>           |

**31 December 2022 (Audited)**

|   | <b>Level 1<br/>BD '000</b> | <b>Level 2<br/>BD '000</b> | <b>Level 3<br/>BD '000</b> | <b>Total<br/>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 nine months period ended 30 September 2023**

26 *FINANCIAL INSTRUMENTS (continued)*

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

|   | <b>30 September<br/>2023<br/>BD '000<br/>(Reviewed)</b> | 30 September<br>2022<br>BD '000<br>(Reviewed) |
|---|---|---|
| At 1 January                              | 18,738  | 15,353  |
| Fair value loss in income statement       | (43)  | (29)  |
| Movement in investment fair value reserve | (341)   | (562)   |
| Transfer from assets held for sale        | -   | 1,445   |
| Additions (note 24)                       | 5,844   | -   |
| Sales                                     | (216)   | -   |
|   | <b>23,982</b>   | 16,207  |

During the nine months periods ended 30 September 2023 and 30 September 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 September 2023 (Reviewed)**

| Valuation technique used  | Key unobservable inputs                 | Fair value at 30 September 2023<br>BD '000 | Reasonable possible shift +/- (in average input) | Increase / (decrease) in valuation<br>BD '000 |
|---------------------------|---|--|--|---|
| Market multiples approach | Enterprise value to EBITDA              | 2,817                                      | +/- 5%   | 123 / (123)                                   |
| Market multiples approach | Price to book value                     | 5,101                                      | +/- 5%   | 363 / (363)                                   |
| Market multiples approach | Price to total assets                   | 1,142                                      | +/- 5%   | 12 / (12)                                     |
| Discounted cash flow      | Cost of equity and terminal growth rate | 735  | +/- 5%   | 35 / (35)                                     |
| Adjusted Net Asset Value  | Change in net asset value               | 14,187                                     | +/- 5%   | 709 / (709)                                   |
|                           |   | <b>23,982</b>                              |  |   |

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

26 *FINANCIAL INSTRUMENTS (continued)*

31 December 2022 (Audited)

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

*c) Instruments not measured at fair value*

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

**30 September 2023**

**Financial assets:**

Investment in sukuk  
 Financing assets  
 Ijarah assets  
 Investment securities

| Carrying amount<br>BD '000<br>(Reviewed) | Fair value<br>BD '000<br>(Reviewed) |
|--|-------------------------------------|
| 528,866                                  | 515,008                             |
| 327,473                                  | 327,473                             |
| 204,014                                  | 204,014                             |
| 70,992                                   | 70,992                              |
| <b>1,131,345</b>                         | <b>1,117,487</b>                    |
|  |                                     |
| <b>60,722</b>                            | <b>60,722</b>                       |

**Financial liabilities:**

Customers' current accounts

31 December 2022

Financial assets:

Investment in sukuk  
 Financing assets  
 Ijarah assets  
 Investment securities

| Carrying amount<br>BD '000<br>(Audited) | Fair value<br>BD '000<br>(Audited) |
|---|------------------------------------|
| 523,332                                 | 510,674                            |
| 321,135                                 | 321,135                            |
| 183,725                                 | 183,725                            |
| 33,637                                  | 33,637                             |
| <b>1,061,829</b>                        | <b>1,049,171</b>                   |
|   |                                    |
| <b>50,955</b>                           | <b>50,955</b>                      |

Financial liabilities:

Customers' current accounts

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the nine months period ended 30 September 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 September 2023, the Bank is required to maintain LCR greater than 100%. As of 30 September 2023, the Bank had LCR ratio of 119.28% (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 September 2023 is as follows:

|  | Unweighted values (i.e. before applying relevant factors) |                               |  |                          | Total weighted value<br>BD '000 |
|--|---|-------------------------------|--|--------------------------|---------------------------------|
|  | No specified maturity<br>BD '000                          | Less than 6 months<br>BD '000 | More than 6 months and less than one year<br>BD '000 | Over one year<br>BD '000 |                                 |
| <b>Available Stable Funding (ASF):</b>                             |   |                               |  |                          |                                 |
| <b>Capital:</b>  |   |                               |  |                          |                                 |
| Regulatory Capital   | 158,192   | -                             | -  | 8,546                    | 166,738                         |
| Other Capital Instruments  | -   | -                             | -  | -                        | -                               |
| <b>Retail deposits and deposits from small business customers:</b> |   |                               |  |                          |                                 |
| Stable deposits  | -   | 57,811                        | 14,698   | 2,202                    | 71,086                          |
| Less Stable deposits   | -   | 183,017                       | 66,063   | 20,634                   | 244,806                         |
| <b>Wholesale funding:</b>  |   |                               |  |                          |                                 |
| Operational deposits   | -   | -                             | -  | -                        | -                               |
| Other wholesale funding  | -   | 759,917                       | 48,047   | 130,239                  | 289,309                         |
| <b>Other liabilities:</b>  |   |                               |  |                          |                                 |
| NSFR Shari'a-compliant hedging contract liabilities                | -   | -                             | -  | -                        | -                               |
| All other liabilities not included in the above categories         | -   | 22,056                        | -  | -                        | -                               |
| <b>Total ASF</b>   | <b>158,192</b>  | <b>1,022,801</b>              | <b>128,807</b>                                       | <b>161,621</b>           | <b>771,940</b>                  |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the nine months period ended 30 September 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)  | 479,715        | -              | -             | -              | 23,440         |
| <b>Performing financing and sukuk/securities:</b>   |                |                |               |                |                |
| 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                                   | -              | 125,554        | -             | -              | 18,833         |
| Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which: | -              | 79,247         | 27,429        | 317,467        | 317,179        |
| - With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines  | -              | -              | -             | 30,031         | 19,520         |
| <b>Performing residential mortgages, of which:</b>  |                |                |               |                |                |
| - 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   | 115,967        | 30,072         | -             | 103,540        | 223,971        |
| <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   | 94,457         | -              | -             | -              | 94,457         |
| OBS items   | 63,218         | -              | -             | -              | 3,161          |
| <b>Total RSF</b>  | <b>753,356</b> | <b>234,873</b> | <b>27,429</b> | <b>501,443</b> | <b>733,324</b> |
| <b>NSFR%</b>  |                |                |               |                | <b>105.27%</b> |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the nine months period ended 30 September 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<br>BD '000 |
|---|---|--------------------|---|---------------|---------------------------------|
|   | No specified maturity                                     | Less than 6 months | More than 6 months and less than one year | Over one year |                                 |
|   | BD '000   | BD '000            | BD '000                                   | 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 financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions                                   | -       | 157,709 | -      | -       | 23,656  |
| Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing 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 nine months period ended 30 September 2023**

27 *REGULATORY RATIOS (continued)*

c. *Capital Adequacy Ratio*

|   | <b>30 September 2023</b><br>BD '000 | 31 December 2022<br>BD '000 |
|---|-------------------------------------|-----------------------------|
| CET 1 Capital before regulatory adjustments       | 110,970                             | 110,385                     |
| Less: regulatory adjustments                      | -                                   | -                           |
| <i>CET 1 Capital after regulatory adjustments</i> | 110,970                             | 110,385                     |
| <i>T1 Capital</i>                                 | 47,222                              | 47,222                      |
| T 2 Capital adjustments                           | 7,956                               | 9,703                       |
| <b>Regulatory Capital</b>                         | <b>166,148</b>                      | 167,310                     |
| <b>Risk weighted exposure:</b>                    |                                     |                             |
| Credit Risk Weighted Assets                       | 636,507                             | 776,223                     |
| Market Risk Weighted Assets                       | 73,146                              | 7,625                       |
| Operational Risk Weighted Assets                  | 9,033                               | 73,146                      |
| <b>Total Regulatory Risk Weighted Assets</b>      | <b>718,686</b>                      | 856,994                     |
| Investment risk reserve (30% only)                | -                                   | -                           |
| Profit equalization reserve (30% only)            | -                                   | -                           |
| <b>Total Adjusted Risk Weighted Exposures</b>     | <b>718,686</b>                      | 856,994                     |
| <b>Capital Adequacy Ratio</b>                     | <b>23.12%</b>                       | 19.52%                      |
| <b>Tier 1 Capital Adequacy Ratio</b>              | <b>22.01%</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.