

KHALEEJI COMMERCIAL BANK BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2022

Commercial registration	:	55133 (registered with Central Bank of Bahrain as a retail Islamic bank).
Office	:	Bahrain Financial Harbour Harbour Tower East PO Box 60002, Manama, Kingdom of Bahrain
Directors	:	Hisham Ahmed Al Rayes – Chairman Jassim Mohamed Alseddiqi – Ex - Chairman (resigned on 4 APRIL 2022) Sh. Ahmed Bin Isa Khalifa Al Khalifa – Vice Chairman Reyadh Eid Al Yaqoob Mosobah Saif Al Mutairy Isa Abdulla Zainal Mazen Ibrahim Abdulkarim Salah Abdulla Sharif Hussain Sayed Ali Al Hussaini Ali Murad (appointed on 17 APRIL 2022)
Chief Executive Officer	:	Sattam Sulaiman Algosabi
Board secretary	:	Mohammed Abdulla Saleh
External Auditors	:	KPMG Fakhro, Bahrain

KHALEEJI COMMERCIAL BANK BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

CONTENTS	Page
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated interim financial information	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in equity	4-5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of changes in restricted investment accounts	7
Condensed consolidated statement of sources and uses of zakah and charity fund	8
Notes to the condensed consolidated interim financial information	9-33



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

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

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

To the Board of Directors of
Khaleeji Commercial Bank BSC
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 September 2022 condensed consolidated interim financial information of Khaleeji Commercial Bank BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2022;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2022;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of changes in restricted investment accounts for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2022; 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 the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information. 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 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information.

3 November 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2022

	Note	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
ASSETS			
Cash and bank balances		119,103	124,115
Placements with financial institutions		7,021	26,391
Sovereign sukuk	7	327,867	295,040
Financing assets	8	347,809	324,373
Ijarah assets	9	173,329	152,394
Investment securities	10	180,682	59,690
Assets held-for-sale	11	4,341	63,103
Investment in real estate		87,341	80,919
Equity accounted investees	12	24,360	25,268
Other assets	13	23,066	13,192
Property and equipment		1,579	1,699
Total assets		1,296,498	1,166,184
LIABILITIES			
Placements from financial institutions		237,232	130,199
Placements from non-financial institutions and individuals		222,216	183,217
Term financing from financial institutions		128,719	71,617
Customers' current accounts		60,884	52,936
Other liabilities	14	26,314	25,629
Total liabilities		675,365	463,598
Equity of investment account holders			
- From financial institutions	15	58,979	125,707
- From non-financial institutions and individuals		406,056	419,488
Total equity of investment account holders		465,035	545,195
OWNERS' EQUITY			
Share capital	16	84,783	89,212
Subordinated Mudaraba (AT1)	17	47,222	47,222
Statutory reserve		10,110	10,110
Treasury shares		(6,254)	(11,926)
Investment fair value reserve		(7,339)	187
Retained earnings		17,448	11,493
Total owners' equity		145,970	146,298
Non-controlling interest		10,128	11,093
Total liabilities, equity of investment account holders, owners' equity and non-controlling interest		1,296,498	1,166,184

The Board of Directors approved the condensed consolidated interim financial information on 3 November 2022 and signed on its behalf by:


Hisham Ahmed Al Rayes
Chairman


Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman


Sattam Sulaiman Algozaibi
Chief Executive Officer

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

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2022

	Note	Nine months ended		Three months ended	
		30 September 2022 BD '000 (Reviewed)	30 September 2021 BD '000 (Reviewed)	30 September 2022 BD '000 (Reviewed)	30 September 2021 BD '000 (Reviewed)
Income from financing and Ijarah assets		25,800	22,183	9,598	7,196
Income from placements with financial institutions		308	125	196	28
Income from sukuk		15,823	16,892	6,362	4,630
Income from investment securities		65	435	(396)	232
Share of loss from equity accounted investees		(908)	(722)	(226)	(109)
Fees and other income, net	20	2,545	2,238	1,188	735
Total income before return to investment account holders		43,633	41,151	16,722	12,712
Return to investment account holders before Bank's share as Mudarib		(24,120)	(19,710)	(7,948)	(5,790)
Bank's share as a Mudarib		13,328	10,681	4,182	2,828
Return to investment account holders		(10,792)	(9,029)	(3,766)	(2,962)
Finance expense on placements from financial institutions, non-financial institutions and individuals		(8,523)	(9,338)	(3,888)	(3,095)
Finance expense on term financing from financial institutions		(2,678)	(923)	(1,260)	(378)
Total income		21,640	21,861	7,808	6,277
Staff cost		4,960	4,327	1,307	1,322
Other operating expenses		3,839	3,696	1,298	1,265
Total expenses		8,799	8,023	2,605	2,587
Profit before impairment allowances		12,841	13,838	5,203	3,690
Net impairment charge	21	(1,957)	(5,030)	(1,129)	(856)
PROFIT FOR THE PERIOD		10,884	8,808	4,074	2,834
Attributable to:					
Shareholders of the parent		10,884	8,841	4,074	2,834
Non-controlling interest		-	(33)	-	-
		10,884	8,808	4,074	2,834
Earnings per share					
Basic and diluted earnings per share (fils)	22	9.827	7.268	5.092	3.526

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 STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2022

	Equity attributable to shareholders of the parent						Non-Controlling Interest	Total Equity	
	Share Capital	Subordinated mudaraba (AT1)	Statutory reserve	Treasury shares	Investment fair value reserve	Retained earnings			Total
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000			BD'000
30 September 2022 (Reviewed)									
Balance at 1 January 2022	89,212	47,222	10,110	(11,926)	187	11,493	146,298	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)
Profit distribution on AT 1 Capital (note 17)	-	-	-	-	-	(3,000)	(3,000)	-	(3,000)
Loss of control	-	-	-	-	-	-	-	(965)	(965)
Transfer to Zakah fund	-	-	-	-	-	(395)	(395)	-	(395)
Balance at 30 September 2022	84,783	47,222	10,110	(6,254)	(7,339)	17,448	145,970	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 CHANGES IN EQUITY
for the nine months ended 30 September 2022 *(Continued)*

30 September 2021 (Reviewed)	Equity attributable to shareholders of the parent						Non- Controlling Interest	Total Equity	
	Share Capital	Subordinated mudaraba (AT1)	Statutory reserve	Treasury shares	Investment fair value reserve	Retained earnings			Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000			BD '000
Balance at 1 January 2021	89,212	47,222	9,024	(11,859)	348	7,863	141,810	10,225	152,035
Impact on adoption of FAS 32	-	-	-	-	-	23	23	-	23
Balance as restated	89,212	47,222	9,024	(11,859)	348	7,886	141,833	10,225	152,058
Fair value changes	-	-	-	-	(312)	-	(312)	-	(312)
Profit for the period	-	-	-	-	-	8,841	8,841	(33)	8,808
Total recognised income and expense for the period	-	-	-	-	(312)	8,841	8,529	(33)	8,496
Purchase of Treasury shares	-	-	-	(67)	-	-	(67)	-	(67)
Issue of shares under incentive scheme	-	-	-	-	-	69	69	-	69
Profit distribution on AT 1 Capital	-	-	-	-	-	(3,000)	(3,000)	-	(3,000)
Transfer to Zakah fund	-	-	-	-	-	(229)	(229)	-	(229)
Balance at 30 September 2021	89,212	47,222	9,024	(11,926)	36	13,567	147,135	10,192	157,327

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 ended 30 September 2022

	Nine months ended 30 September 2022 BD '000 (Reviewed)	Nine months ended 30 September 2021 BD '000 (Reviewed)
OPERATING ACTIVITIES		
(Payment of) / receipts from financing assets, net	(6,841)	4,439
Payments for Ijarah assets, net	(20,015)	(3,883)
Income received from short-term placements	308	126
Returns paid to investment account holders	(10,554)	(10,308)
(Withdrawals) / receipts from investment account holders, net	(80,160)	31,377
Payments for expenses	(17,830)	(8,726)
Other receipts	2,424	2,238
Contributions paid to charitable organisations	(370)	(463)
Receipts / (withdrawals) from customers' current accounts, net	7,948	(5,018)
Receipts from placements from financial institutions, net	107,034	21,434
Receipts / (withdrawals) from placements from non-financial institutions and individuals, net	38,999	(23,950)
Net (payments) / receipts from CBB reserve account	(10,339)	306
Profit expense paid on placements	(8,523)	(9,338)
Net cash generated from / (used in) operating activities	2,081	(1,766)
INVESTING ACTIVITIES		
Purchase of sukuk	(174,020)	(165,635)
Proceeds from sale / redemption of sukuk	65,604	149,193
Income from sukuk received	16,469	10,972
Proceeds from disposal / redemption of investments	-	7,321
Proceeds from disposal of investment in real estate	3,229	242
Income from investment securities	950	636
Purchase of property and equipment, net	(167)	(389)
Net cash (used in) / generated from investing activities	(87,935)	2,340
FINANCING ACTIVITIES		
(Purchase) / disposal of treasury shares, net	(291)	55
Drawdown of term borrowings, net	57,102	5,607
Profit distribution on AT 1 capital	(3,000)	(3,000)
Finance expenses paid on term borrowings	(2,678)	(923)
Net cash from financing activities	51,133	1,739
Net (decrease) / increase in cash and cash equivalents	(34,721)	2,313
Cash and cash equivalents at beginning of the period	135,216	85,323
Cash and cash equivalents at end of the period	100,495	87,636
Cash and cash equivalents comprises:		
Cash and bank balances (excluding CBB reserve)	93,474	50,699
Placement with financial institutions	7,021	36,937
	100,495	87,636

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 ended 30 September 2022

30 September 2022

(Reviewed)

	Balance at 1 January 2022			Movements during the period					Balance at 30 September 2022			
	No of units (000)	Average value per share BD	Total BD 000's	Investment / (withdrawals) BD 000's	Revaluation BD 000's	Gross income BD 000's	Dividends paid BD 000's	Bank's fees as an agent BD 000's	Adminstration expenses BD 000's	No of units (000)	Average value per share BD	Total 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
			1,516									1,516

30 September 2021 (Reviewed)

	Balance at 1 January 2021			Movements during the period					Balance at 30 September 2021			
	No of units (000)	Average value per share BD	Total BD 000's	Investment / (withdrawals) BD 000's	Revaluation BD 000's	Gross income BD 000's	Dividends paid BD 000's	Bank's fees as an agent BD 000's	Adminstration expenses BD 000's	No of units (000)	Average value per share BD	Total BD 000's
Safana Investment WLL (RIA 1) and NS 12	6,254	1.00	6,254	-	-	-	-	-	-	6,254	1.00	6,254
Shaden Real Estate Investment WLL (RIA 5)	3,434	1.00	3,434	-	-	-	-	-	-	3,434	1.00	3,434
Locata Corporation Pty Ltd (RIA 6)	2,633	0.38	993	(17)	2	45	-	-	-	2,633	0.39	1,023
			10,681	(17)	2	45	-	-	-			10,711

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 ended 30 September 2022

BD 000's

	Nine months ended 30 September 2022 BD '000 (Reviewed)	Nine months ended 30 September 2021 BD '000 (Reviewed)
Sources of zakah and charity fund		
At 1 January	471	696
Contributions by the bank	402	230
Non-Islamic income	16	9
Total sources	889	935
Uses of zakah and charity fund		
Contributions to charitable organisations	(370)	(463)
Total uses	(370)	(463)
Undistributed zakah and charity fund at end of the period	519	472

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 ended 30 September 2022

1 Reporting entity

Khaleeji Commercial Bank BSC (the “Bank”), a public shareholding company, was incorporated on 24 November 2004 in the Kingdom of Bahrain under Commercial Registration No. 55133. The Bank operates under an Islamic retail license granted by the Central Bank of Bahrain (“CBB”). The Bank is listed on the Bahrain Bourse.

85.41% (2021: 69.06%) of the ordinary shares of the Bank are held by GFH Financial Group BSC (the “Parent”), a Bahraini incorporated investment bank operating under an Islamic wholesale banking license issued by the Central Bank of Bahrain (“CBB”) and listed on Bahrain Bourse, Boursa Kuwait, Dubai Financial Markets (“DFM”) and Abu Dhabi Securities Exchange (“ADX”).

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

2 Basis of preparation and presentation

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) and applicable rules and regulations issued by the Central Bank of Bahrain (“CBB”).

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered by AAOIFI standards, the Group takes guidance from the relevant International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). Accordingly, the condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’, using ‘Financial Accounting Standards’.

The accounting policies used in the preparation of annual audited consolidated financial information of the Group for the year ended 31 December 2020 and 31 December 2021 were in accordance with FAS as modified by CBB (refer to the Group’s audited financial statements for the year ended 31 December 2021 for the details of the COVID-19 related modifications applied). Since the CBB modification were specific to the financial year 2020 and no longer apply to both the current and comparative periods presented, the Group’s interim financial information for the nine months ended 30 September 2022 has been prepared in accordance with FAS issued by AAOIFI (without any modifications).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

2 *Basis of preparation and presentation (continued)**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 2021 and comparatives for the condensed consolidated statements of income, changes in 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 2021.

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 2021, except for those arising from adoption of the following standards and amendments to standards effective from 1 January 2022.

I. New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2022**FAS 38 Wa'ad, Khiyar and Tahawwut**

AAOIFI has issued FAS 38 Wa'ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to shariah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products.

There was no material impact on Group upon adoption of this standard.

II. New standards, amendments, and interpretations issued but not yet effective**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 with an option to early adopt.

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).

The Group is assessing the impact of adoption of this standard.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

3 *Significant accounting policies (continued)***2) FAS 1 General Presentation and Disclosures in the Financial Statements**

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

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

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 statements.

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 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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 2021.

Russia-Ukraine conflict

The current ongoing conflict between Russia-Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any. As at 30 September 2022, the Group does not have a material impact of this conflict.

6 Seasonality

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

7 Sovereign sukuk

Debt type instruments - at amortised cost:

- Quoted sukuk*

Less: impairment allowance

30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
328,541	295,530
(674)	(490)
327,867	295,040

* As of 30 September 2022, out of sovereign sukuk of BD 328,541 thousand and corporate sukuk of BD 32,558 thousand (refer note 10), BD 144,586 thousand (31 December 2021: BD 152,419 thousand) were pledged against term financing from financial institutions of BD 79,469 thousand (31 December 2021: BD 71,617 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

8 Financing assets

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Murabaha (net of deferred profit)	364,870	343,706
Wakala	90	90
Mudaraba	5,341	971
Gross financing assets	370,301	344,767
Less: Impairment allowances	(22,492)	(20,394)
Net financing assets	347,809	324,373

In December 2020, May 2021 and December 2021, the CBB issued regulatory directives to extend the concessionary measures, i.e. holiday payments to customers till end June 2021, December 2021 and June 2022 respectively. However, customers were charged profits during this holiday payment extension period, and hence the Group did not have any significant modification loss as a result of these extensions. The Group provided payment holidays on financing exposures amounting to BD 21,634 thousand for the third deferral (January 2021 to September 2021), BD 41,780 thousand for the fourth deferral (July 2021 to December 2021), and BD 18,138 thousand for the fifth deferral (January 2022 to June 2022).

Further, the CBB issued another regulatory direction in June 2022 to discontinue the instalment deferral program after the 5th deferment, which ended on 30 June 2022 and the COVID-19 pandemic concessionary measures that were issued in 2020.

Murabaha is net of deferred profits of BD 20,666 thousand (2021: BD 16,957 thousand).

The movement on impairment allowances is as follows:

30 September 2022 (Reviewed)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI* BD '000	Total BD '000
Gross financing assets	294,342	45,823	26,891	3,245	370,301
Less: Impairment allowance					
At 1 January 2022	6,024	1,751	12,007	612	20,394
Net movement between stages	189	(223)	34	-	-
Net charge	(193)	1,372	1,018	112	2,309
Disposal	-	-	(211)	-	(211)
Impairment allowances at 30 September 2022	6,020	2,900	12,848	724	22,492
Net financing assets	288,322	42,923	14,043	2,521	347,809

31 December 2021 (Audited)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	POCI* BD '000	Total BD '000
Gross financing assets	254,647	59,540	24,468	6,112	344,767
Less: Impairment allowance					
At 1 January 2021	7,230	1,934	7,891	-	17,055
Net movement between stages	395	47	(442)	-	-
Net charge	(1,601)	(230)	4,804	612	3,585
Write-off	-	-	(5)	-	(5)
Disposal	-	-	(241)	-	(241)
Impairment allowances at 31 December 2021	6,024	1,751	12,007	612	20,394
Net financing assets	248,623	57,789	12,461	5,500	324,373

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

8 *Financing assets (continued)*

* Purchased or originated credit impaired (POCI) assets are initially recognised at their fair values and subsequently remeasured for any change in ECL or expected recoverable amounts. The POCI assets are currently carried at 20% (31 December 2021: 14%) compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) are carried at 33% (31 December 2021: 34%) compared to their original contractual outstanding amounts.

9 **Ijarah assets**

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Cost	231,922	204,736
Accumulated depreciation	(54,726)	(47,030)
Net ijarah assets	177,196	157,706
Less: Impairment allowance	(3,867)	(5,312)
Net book value at period end	173,329	152,394

The breakup of gross Ijarah assets (under finance leases) and impairment allowance per stage is as follows:

30 September 2022 (Reviewed)

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Ijarah assets	145,675	25,898	5,623	177,196
<i>Less: Impairment allowance</i>				
At 1 January 2022	242	929	4,142	5,313
Net movement between stages	293	(425)	132	-
Net charge	1	183	(733)	(549)
Disposal	-	-	(897)	(897)
Impairment allowance at 30 September 2022	536	687	2,644	3,867
Ijarah assets carrying amount	145,139	25,211	2,979	173,329

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

9 *Ijarah assets (continued)*

31 December 2021 (Audited)	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Ijarah assets	109,615	35,279	12,812	157,706
<i>Less: Impairment allowance</i>				
At 1 January 2021	545	424	3,014	3,983
Net movement between stages	(89)	286	(197)	-
Net charge	(214)	219	1,394	1,399
Disposal	-	-	(70)	(70)
Impairment allowance at 31 December 2021	242	929	4,141	5,312
Ijarah assets carrying amount	109,373	34,350	8,671	152,394

10 **Investment securities**

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Equity type instruments:		
<i>At fair value through income statement</i>		
- Structured notes		
At 1 January	15,531	15,080
Accrued profit	16	451
Redemption	(763)	-
Changes in fair value	(90)	-
	14,694	15,531
<i>At fair value through equity</i>		
Quoted equity securities*	54,171	-
Unquoted equity securities	16,207	15,353
	70,378	15,353
Debt type instruments - at amortised cost:		
- Quoted sukuk **	32,559	28,918
- Unquoted sukuk	1,317	1,317
Less: impairment allowances	(1,427)	(1,429)
	32,449	28,806
Debt type instruments - at fair value through equity:		
- Quoted sukuk***	63,161	-
	180,682	59,690

* Includes perpetual sukuk amounting to BD 54,171 thousand acquired during the period in exchange of assets-held for sale as part of the restructuring (refer note 11).

** As of 30 September 2022, out of sovereign sukuk of BD 328,541 thousand (refer note 7) and corporate sukuk of BD 32,559 thousand, BD 144,586 thousand (31 December 2021: BD 152,419 thousand) were pledged against term financing from financial institutions of BD 79,469 thousand (31 December 2021: BD 71,617 thousand).

*** As of 30 September 2022, the sukuk had a fair value loss of BD 6.9 million (2021: BD Nil)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

11 Assets held-for-sale

GFH Group is carrying out a group restructuring program (the 'program') which involves the spinning off of its infrastructure and real estate assets under a newly established entity "Infracorp B.S.C (c)" ("the Company"), which will be capitalized with more than US\$1 billion in infrastructure and development assets. Infracorp will specialise in investments focusing on accelerating growth and development of sustainable infrastructure assets and environments across the Gulf and global markets.

Under this program, certain real estate and infrastructure assets will be transferred from the group entities, including the Bank, to Infracorp for an in-kind consideration in the form of Sukuk and/or equity shares issued by Infracorp.

The Board of Directors of KHCB, in its meeting dated 6 May 2021 had approved the consolidation and aggregation of its real estate and infrastructure exposures by offering a structured exit to its asset under management investors through a combination of cash and in-kind consideration.

As of 31 December 2021, the Group had acquired shares in and assets held by various real estate entities under management amounting to BD 22.27 million, which was part of the assets to be transferred to Infracorp.

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

As of 30 September 2022, KHCB transferred assets amounting to BD 54,171 thousand to Infracorp under the terms of the program and BD 4.3 million are part of a committed plan for transfer to its asset management investors (as in-kind consideration). As of 30 September 2022, the settlement process is pending the requisite regulatory approvals for separation of title deeds. In addition, the Group entered into sale contracts for sale of investments in real estate with carrying value of BD 3 million. Accordingly, these assets were classified as held-for-sale.

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. Of the total assets held-for sale BD Nil (2021:BD 965 thousand) is attributable to NCI.

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Investment securities	-	34,499
Investment in real estate	4,341	12,198
Property and equipment	-	6,714
Equity accounted investees	-	8,871
Other assets	-	821
	4,341	63,103

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

11 *Assets held for sale (continued)*

The movement of the assets held for sale during the period is as follows:

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
At beginning of the period	63,103	-
Assets transferred to asset held for sale during the period	-	63,103
Sold during the period	(3,000)	-
Transferred to Infracorp (note 10)	(54,171)	-
Transferred to investment securities as held for use	(1,445)	-
Change of exit subscriptions by investors	(146)	-
At end of the period	4,341	63,103

On 15 March 2022, the Bank transferred certain assets with carrying value of BD 54.17 million to Infracorp BSC (c) for in-kind consideration in form of hybrid perpetual certificates issued by its subsidiary Infracorp Sukuk Limited (note 10).

12 **Equity accounted investees**

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
At beginning of the period	25,268	31,963
Additions	-	5,803
Derecognition on acquisition of controlling stake	-	(8,106)
Transfer to assets held-for-sale	-	(3,259)
Share of loss for the period	(908)	(1,133)
At end of the period	24,360	25,268

13 **Other assets**

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Margin call placements	6,998	-
Profit accrued on sukuk	5,325	4,293
Receivable from customers	4,563	4,564
Other receivables	3,614	2,689
Right-of-use asset	1,863	820
Prepaid expenses	511	577
Due from investments	192	249
	23,066	13,192

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

13 *Other assets (continued)*

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

	30 September 2022 BD '000 (Reviewed)
Balance as at 1 Jan	820
Additional right-of-use assets for the period, net	1,448
Amortisation charge during the period	(405)
Balance as at 30 September	1,863

	31 December 2021 BD '000 (audited)
Recognition of right-of-use assets on initial application of FAS 32	1,234
Additional right-of-use assets for the year, net	114
Amortisation charge during the year	(528)
Balance as at 31 December	820

14 **Other liabilities**

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Payable to investors*	12,073	13,597
Mudaraba profit accrual	5,136	4,898
Net ijarah liability	1,761	806
Advance received from customers	282	556
Zakah and charity payable	517	471
Employee related accruals	409	258
Payable for Istisna'a contracts	27	27
Other payables and accrued expenses**	6,109	5,016
	26,314	25,629

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

** includes impairment allowance on commitments and financial guarantees of BD 101 thousand (2021: BD 85 thousand).

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

Net Ijarah Liability

Maturity analysis	30 September 2022 (reviewed)		
	Gross Ijarah liability BD '000	Deferred Ijarah BD '000	Net Ijarah liability BD '000
Less than one year	403	(9)	394
One to five years	1,484	(117)	1,367
Total	1,887	(126)	1,761

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

14 *Other liabilities (continued)*

Maturity analysis	31 December 2021 (audited)		
	Gross Ijarah liability BD '000	Deferred Ijarah BD '000	Net Ijarah liability BD '000
Less than one year	566	(16)	550
One to five years	260	(4)	256
Total	826	(20)	806

15 **Equity of investment account holders**

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Equity of investment account holders		
From financial institutions	58,979	125,707
From non-financial institutions and individuals	406,056	419,488
	465,035	545,195

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

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Balances with banks	57,371	50,580
CBB reserve account	25,629	15,290
Placements with financial institutions	-	26,391
Debt type instruments – sukuk	325,953	172,029
Financing assets	56,082	280,905
	465,035	545,195

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 2022 the Bank's paid capital was BD 84,783,053 (31 December 2021: BD 89,211,948) representing 847,830,534 shares (31 December 2021: 892,119,480 shares).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

17 Subordinated mudaraba (AT1)

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Subordinated mudaraba	47,222	47,222
	47,222	47,222

The Bank issued a Subordinated 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 Subordinated 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.

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 (30 September 2021: BD 3,000 thousand).

18 Commitments and contingencies

	30 September 2022 BD '000 (Reviewed)	31 December 2021 BD '000 (Audited)
Undrawn commitments to extend finance*	41,984	35,946
Financial guarantees	15,972	15,078
Letter of credit	153	-

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

Litigations and claims

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

18 *Commitments and contingencies (continued)*

Based on the advice of the Bank's external legal counsel, the Board of Directors is of the opinion that the Group has strong grounds to successfully defend itself against these claims. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors believe that such disclosures may be prejudicial to the Group's legal position.

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

20 **Fees and other income, net**

	30 September 2022 BD '000 (Reviewed)	30 September 2021 BD '000 (Reviewed)
Fees income	653	911
Foreign exchange gain	893	567
Recovery of written-off assets	826	715
Others	173	45
	2,545	2,238

21 **Net impairment charge**

	30 September 2022 BD '000 (Reviewed)	30 September 2021 BD '000 (Reviewed)
Financing assets (note 8)	2,309	4,031
Investments in sukuk (note 7)	181	131
Ijarah assets (note 9)	(549)	727
Commitments and financial guarantees	16	141
	1,957	5,030

Movement on ECL in various stages during the period:

30 September 2022 (Reviewed)	Stage 1	Stage 2	Stage 3	POCI	Total
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 30 September	7,434	3,589	16,815	724	28,562

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

21 *Net impairment charge (continued)*

30 September 2022 (Reviewed)

	Stage 1: 12-month ECL	Stage 2: Life time ECL non-credit impaired	Stage 3: Life time ECL credit impaired	Total
Balances and placements with 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 guarantees	94	2	6	102
Other Assets	-	-	-	-
	7,434	3,589	17,539	28,562

30 September 2021
(Reviewed)

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL balance at 1 January	8,337	2,364	14,039	-	24,740
Transfer to Stage 1	842	(251)	(591)	-	-
Transfer to Stage 2	(186)	562	(376)	-	-
Transfer to Stage 3	(152)	(196)	348	-	-
Net movement	504	115	(619)	-	-
Charge for the period (net)	(951)	521	4,888	572	5,030
Write-off	-	-	(4)	-	(4)
Disposal	-	-	-	-	-
ECL balance as at 30 September	7,890	3,000	18,304	572	29,766

30 September 2021 (Reviewed)

	Stage 1: 12-month ECL	Stage 2: Life time ECL non-credit impaired	Stage 3: Life time ECL credit impaired	Total
Balances and placements with banks and financial institutions	-	-	-	-
Financing assets (note 8)	6,796	1,923	12,121	20,840
Investments in sukuk (note 7)	537	-	1,317	1,854
Ijarah assets (note 9)	261	1,077	3,372	4,710
Commitments and financial guarantees	296	-	325	621
Other Assets	-	-	1,741	1,741
	7,890	3,000	18,876	29,766

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

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.

	Nine months ended		Three months ended	
	30	30	30	30
	September	September	September	September
	2022	2021	2022	2021
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Profit for the period attributable to the shareholders of the parent	10,884	8,841	4,075	2,833
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	7,884	5,841	4,075	2,833
Weighted average number of shares outstanding during the period, net of treasury shares (thousand)	802,238	803,584	800,356	803,675
Basic and diluted earnings per share (fils)	9.827	7.268	5.092	3.526

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 192.22 million (31 December 2021: BD 201.41 million). During the year, the Group has not charged any management fees (2021: 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 ended 30 September 2022

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 2022
(Reviewed)

	Associates	Directors / Key management personnel and shari'a board members	Parent / related entities / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Assets					
Financing assets	-	3,034	6,782	-	9,816
Investment securities	-	-	56,455	4,242	60,697
Equity accounted investees	24,410	-	-	-	24,410
Other assets	17	-	272	46	335
Liabilities					
Placement from financial institutions, Non-FIs and individuals	-	1,283	84,905	-	86,188
Customers' current accounts	907	854	6,009	442	8,212
Equity of investment account holders	388	253	91,651	237	92,529

**Nine months ended
30 September 2022**
(Reviewed)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

24 *Significant related party transactions (Continued)*

31 December 2021
(Audited)

	Associates	Directors / Key management personnel and shari'a board members	Parent / related entities / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Assets					
Financing assets	-	3,227	6,061	-	9,288
Investment securities	-	-	2,284	4,754	7,038
Equity accounted investees	25,828	-	-	-	25,828
Investment in real estate	60,000	-	-	-	60,000
Assets held-for sale	55,620	-	-	-	55,620
Other assets	117	-	-	30	147
Liabilities					
Placement from financial institutions, Non-FIs and individuals	-	1,666	-	-	1,666
Customers' current accounts	866	340	5,952	24	7,182
Equity of investment account holders	409	102	138,833	292	139,636
Other Liabilities	-	-	-	-	-

Nine months ended
30 September 2021
(Reviewed)

	Associates	Directors / Key management personnel and shari'a board members	Parent / related entities / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Income					
Income from financing and Ijarah assets	-	117	879	-	996
Income from investment in securities	-	-	-	263	263
Share of loss from equity accounted investees	(722)	-	-	-	(722)
Expenses					
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	19	-	-	19
Return to investment account holders	9	1	1,927	5	1,942
Staff cost	-	485	-	-	485
Other operating expenses	-	-	280	44	324

During the period, the Group paid profit distribution on its AT1 to the Parent for an amount of BD 2,833 thousand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

25 Segment information

30 September 2022 (Reviewed)	Corporate and Retail Banking	Investment Banking	Unallocated	Total
	BD '000	BD '000	BD '000	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

30 September 2021 (Reviewed)	Corporate and Retail Banking	Investment Banking	Unallocated	Total
	BD '000	BD '000	BD '000	BD '000
Segment revenue	41,406	(255)	-	41,151
Segment results	14,667	(770)	(5,089)	8,808
Segment assets	855,310	178,619	14,317	1,048,246

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 allowances) of BD 360,316 thousand (31 December 2021: BD 323,846 thousand) is BD 339,320 thousand as at 30 September 2022 (31 December 2021: BD 333,124 thousand).

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

b) Fair value hierarchy

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2022 (Reviewed)

	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Structured notes at fair value through income statement	-	14,694	-	14,694
Debt-type sukuk at fair value through equity	-	63,162	-	63,162
Equity type securities carried at fair value through equity	-	54,171	16,207	70,378
	-	132,027	16,207	148,234

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

26 *Financial instruments (continued)*

b) Fair value hierarchy (Continued)

31 December 2021 (Audited)	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Structured notes at fair value through income statement	-	15,531	-	15,531
Equity type securities carried at fair value through equity	-	-	15,353	15,353
	-	15,531	15,353	30,884

The following table analyses the movement in Level 3 financial assets during the nine month period ended 30 September 2022:

	30 September 2022 (Reviewed)	30 September 2021 (Reviewed)
At 1 January	15,353	40,812
Fair value loss in income statement	(29)	(33)
Movement in investment fair value reserve	(562)	(312)
Transfer from assets held for sale / (sales)	1,445	(7,812)
	16,207	32,655

During the nine month period ended 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 2022 (Reviewed)

Valuation technique used	Key unobservable inputs	Fair value at 30 September 2022 BD '000	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Enterprise value to EBITDA	2,817	+/-5%	62/(62)
Market multiples approach	Price to book value	5,101	+/-5%	253/(253)
Market multiples approach	Price to total assets	1,142	+/-5%	24/(24)
Discounted cash flow	Cost of equity and terminal growth rate	778	+/-5%	27/(27)
Adjusted Net Asset Value	Change in net asset value	6,369	+/-5%	318/(318)
		16,207		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

26 *Financial instruments (continued)*

b) *Fair value hierarchy (Continued)*

(i) Instruments not measured at fair value

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

30 September 2022

	Carrying amount BD '000 (Reviewed)	Fair value BD '000 (Reviewed)
Financial assets:		
Sovereign sukuk	327,867	313,565
Financing assets	347,809	347,809
Ijarah assets	173,329	173,329
Investment securities	32,449	25,755
	881,454	860,458
Financial liabilities:		
Customers' current accounts	60,884	85,425

31 December 2021

	Carrying amount BD '000 (Audited)	Fair value BD '000 (Audited)
Financial assets:		
Sovereign sukuk	295,040	297,718
Financing assets	324,373	324,373
Ijarah assets	152,394	152,394
Investment securities	28,806	35,406
	800,613	809,891
Financial liabilities:		
Customers' current accounts	52,936	52,936

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

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 of 30 September 2022, the Bank maintained LCR of 207.01% (31 December 2021: 177.58%) which is above regulatory minimum of 100% applicable until 30 September 2022.

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".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

27 *Regulatory ratios (continued)*

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

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, as of 30 September 2022 is as follows:

	Unweighted values (i.e. before applying relevant factors)				Total weighted value BD '000
	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	155,935	-	-	10,336	166,271
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	62,969	5,478	7,264	72,289
Less Stable deposits	-	193,527	22,943	33,256	228,079
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	593,927	51,745	143,893	272,870
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	26,459	-	-	-
Total ASF	155,935	876,882	80,166	194,749	739,509
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	433,764	-	-	-	20,559
Performing financing assets and loans / securities					
Performing loan to financial institutions secured by level 1 HQLA	-	-	-	-	-
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	57,371	-	-	8,606
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	91,932	29,655	307,473	316,600
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	27,728	18,023
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	81,737	53,129
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	109,650	32,689	-	80,729	194,615

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

27 *Regulatory ratios (continued)*

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

Other Assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a compliant hedging contracts and contributions to default funds of CCPS	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a compliant hedging contracts liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	72,297	-	-	-	72,297
OBS items	58,109	-	-	-	2,905
Total RSF	673,820	181,992	29,655	469,939	668,711
NSFR%					110.59%

The Consolidated NSFR calculated as per the requirements of the CBB rulebook, as of 31 December 2021 is as follows:

	Unweighted values (i.e. before applying relevant factors)				Total weighted value BD '000
	No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	158,107	-	-	9,627	167,734
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	68,722	9,797	1,037	75,630
Less Stable deposits	-	187,257	55,678	3,440	222,082
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	580,012	52,547	25,589	179,209
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	25,844	-	-	-
Total ASF	158,107	861,835	118,022	39,693	644,655

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

27 *Regulatory ratios (continued)*

b. Net stable funding Ratio (NSFR)

<u>Required Stable Funding (RSF):</u>					
Total NSFR high-quality liquid assets (HQLA)	360,333	-	-	-	17,733
Performing financing assets and loans / securities					
Performing loan to financial institutions secured by level 1 HQLA	-	76,971	-	-	11,546
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	101,368	28,532	251,598	278,808
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	9,345	6,074
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	68,238	44,355
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	115,189	35,386	-	2,262	134,805
Other Assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPS	-	-	-	-	-
NSFR derivative assets	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	116,431	-	-	-	116,431
OBS items	51,024	-	-	-	2,551
Total RSF	642,977	213,725	28,532	331,443	612,303
NSFR%					105.28%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2022

27 *Regulatory ratios (continued)*

c. *Capital Adequacy Ratio*

	30 September 2022 BD '000	31 December 2021 BD '000
CET 1 Capital before regulatory adjustments	108,713	120,967
Less: regulatory adjustments	-	(11,926)
<i>CET 1 Capital after regulatory adjustments</i>	108,713	109,041
<i>T1 Capital</i>	47,222	47,222
T 2 Capital adjustments	9,868	9,627
Regulatory Capital	165,803	165,890
Risk weighted exposure:		
Credit Risk Weighted Assets	789,447	777,568
Market Risk Weighted Assets	73,199	73,199
Operational Risk Weighted Assets	7,838	8,175
Total Regulatory Risk Weighted Assets	870,484	858,942
Investment risk reserve (30% only)	-	-
Profit equalization reserve (30% only)	-	-
Total Adjusted Risk Weighted Exposures	870,484	858,942
Capital Adequacy Ratio	19.05%	19.31%
Tier 1 Capital Adequacy Ratio	17.91%	18.19%
Minimum required by CBB	12.5%	12.5%

28 **Comparative figures**

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