

BAHRAIN ISLAMIC BANK B.S.C.
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
31 MARCH 2022

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the three months ended 31 March 2022

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

**To the Board of Directors of
Bahrain Islamic Bank BSC
Kingdom of Bahrain**

Introduction

We have reviewed the accompanying 31 March 2022 condensed consolidated interim financial information of Bahrain Islamic Bank BSC (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2022;
- the condensed consolidated income statement for the three-month period ended 31 March 2022;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2022;
- the condensed consolidated statement of changes in owners' equity for the three-month period ended 31 March 2022;
- the condensed consolidated statement of sources and uses of good faith qard fund for the three-month period ended 31 March 2022;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the three-month period ended 31 March 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 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 31 March 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation as stated in note 2 of this condensed consolidated interim financial information.


25 April 2022


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

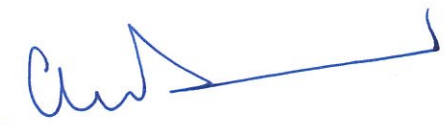
As at 31 March 2022

	Note	31 March 2022 BD'000 (reviewed)	31 December 2021 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		47,608	45,591
Placements with financial institutions		150,512	86,894
Financing assets	9	613,427	609,468
Investment securities	10	266,361	274,624
Ijarah Muntahia Bittamleek	11	265,571	257,382
Investment in associates		8,804	9,314
Investment in real estate	12	14,040	14,680
Property and equipment		13,855	13,491
Other assets	13	13,347	13,092
TOTAL ASSETS		1,393,525	1,324,536
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		186,978	133,346
Placements from non-financial institutions and individuals		229,240	212,418
Financing from financial institutions	14	74,933	56,919
Customers' current accounts		233,832	249,749
Other liabilities	15	32,734	30,114
Total Liabilities		757,717	682,546
Equity of Investment Accountholders			
Financial institutions		28,997	42,239
Non-financial institutions and individuals		476,490	473,991
Total Equity of Investment Accountholders	16	505,487	516,230
Owners' Equity			
Share capital		106,406	106,406
Subordinated Mudaraba (AT1)		25,000	25,000
Treasury shares		(892)	(892)
Shares under employee share incentive scheme		(213)	(289)
Share premium		206	206
Reserves		(186)	(4,671)
Total Owners' Equity		130,321	125,760
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		1,393,525	1,324,536

The condensed consolidated interim financial information comprising of pages 2 to 23 was approved by the Board of Directors on 25 April 2022 and signed on its behalf by:


Dr. Esam Abdulla Fakhro
Chairman



Khalid Yousif Abdul Rahman
Vice Chairman


Jean-Christophe Durand
Vice Chairman

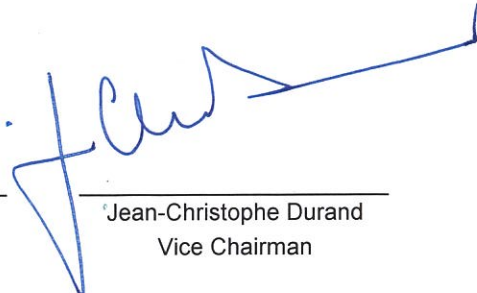
CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2022

		Three months ended 31 March	
	Note	2022 BD'000 (reviewed)	2021 BD'000 (reviewed)
INCOME			
Income from financing		12,569	10,676
Income from investment in Sukuk	17	3,268	3,713
Total income from jointly financed assets		15,837	14,389
Return on equity of investment accountholders		(6,674)	(6,718)
Group's share as Mudarib		5,943	5,789
Net return on equity of investment accountholders		(731)	(929)
Group's share of income from jointly financed assets (both as mudarib and investor)		15,106	13,460
Expense on placements from financial institutions		(837)	(797)
Expense on placements from non-financial institutions and individuals		(1,649)	(1,994)
Expense on financing from financial institutions		(180)	(22)
Fee and commission income, net		1,666	1,390
Income from investment in real estate, net		(596)	48
Share of results of associates, net		(16)	(443)
Other income, net		262	328
Total income		13,756	11,970
EXPENSES			
Staff costs		3,449	3,256
Depreciation and amortization		412	379
Other expenses		2,761	2,299
Total expenses		6,622	5,934
Profit before impairment allowances and other provisions		7,134	6,036
Impairment allowance and other provisions, net	18	(2,171)	(1,724)
PROFIT FOR THE PERIOD		4,963	4,312
BASIC AND DILUTED EARNINGS PER SHARE (fiIs)		4.71	4.10


 Dr. Esam Abdulla Fakhro
 Chairman


 Khalid Yousif Abdul Rahman
 Vice Chairman


 Jean-Christophe Durand
 Vice Chairman

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2022

	Three months ended 31 March	
	2022	2021
	BD'000	BD'000
	(reviewed)	(reviewed)
OPERATING ACTIVITIES		
Profit for the period	4,963	4,312
Adjustments for non-cash items:		
Depreciation	329	316
Fair value movement on investment in real estate	640	-
Impairment allowance and other provisions, net	2,171	1,724
Amortization of right-of-use asset	83	63
Amortization of gain on sale of investment in real estate	(5)	(5)
Gain on sale of investment securities	(114)	(489)
Share of results of associates, net	16	443
Operating profit before changes in operating assets and liabilities	8,083	6,364
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	(1,695)	(45)
Financing assets	(5,177)	(1,492)
Ijarah Muntahia Bittamleek	(8,199)	(14,940)
Other assets	(343)	(412)
Customers' current accounts	(15,917)	13,742
Other liabilities	2,277	16,108
Placements from financial institutions	53,702	(27,324)
Placements from non-financial institutions and individuals	16,822	(23,560)
Equity of investment accountholders	(10,743)	17,816
Net cash from / (used in) operating activities	38,810	(13,743)
INVESTING ACTIVITIES		
Purchase of property and equipment	(693)	(89)
Purchase of investment securities	(1,296)	(3,419)
Proceeds from disposal of investment securities	9,239	28,245
Redemption of investment in associates	-	291
Net cash from investing activities	7,250	25,028
FINANCING ACTIVITIES		
Financing from financial institutions	18,014	19,022
Lease liability paid	(64)	(74)
Net cash from financing activities	17,950	18,948
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,010	30,233
Cash and cash equivalents at 1 January	106,678	68,580
CASH AND CASH EQUIVALENTS AT 31 March	170,688	98,813
Cash and cash equivalents comprise of:		
Cash on hand	12,146	17,785
Balances with CBB, excluding mandatory reserve deposits	510	244
Balances with banks and other financial institutions excluding restricted balances	7,520	9,163
Placements with financial institutions with original maturities less than 90 days	150,512	71,621
	170,688	98,813

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2022

	Reserves									
	Shares under									
	Share capital	Sub-ordinated mudaraba (AT1)	Treasury shares	Share incentive scheme	Share premium	Statutory reserve	Real estate fair value reserve	Investment securities fair value reserve	(Accumulated losses) / Retained earnings	Total owners' equity
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
2022 - reviewed										
Balance at 1 January 2022	106,406	25,000	(892)	(289)	206	5,349	1,545	1,778	(13,343)	125,760
Profit for the period	-	-	-	-	-	-	-	-	4,963	4,963
Zakah approved	-	-	-	-	-	-	-	-	(138)	(138)
Donations approved	-	-	-	-	-	-	-	-	(350)	(350)
Share of reserve of investment in associate	-	-	-	-	-	-	-	(204)	204	-
Shares allocated to staff during the period	-	-	-	76	-	-	-	-	-	76
Net movement in investment securities fair value reserve	-	-	-	-	-	-	-	10	-	10
Balance at 31 March 2022	106,406	25,000	(892)	(213)	206	5,349	1,545	1,584	(8,664)	130,321
2021 - reviewed										
Balance at 1 January 2021	106,406	-	(892)	(257)	206	4,736	2,178	1,696	(18,031)	96,042
Profit for the period	-	-	-	-	-	-	-	-	4,312	4,312
Zakah approved	-	-	-	-	-	-	-	-	(122)	(122)
Donations approved	-	-	-	-	-	-	-	-	(250)	(250)
Shares allocated to staff during the period	-	-	-	82	-	-	-	-	-	82
Net movement in investment securities fair value reserve	-	-	-	-	-	-	-	48	-	48
Balance at 31 March 2021	106,406	-	(892)	(175)	206	4,736	2,178	1,744	(14,091)	100,112

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF GOOD FAITH QARD FUND

For the three months ended 31 March 2022

	<i>Qard Hasan receivables BD'000</i>	<i>Funds available for Qard Hasan BD'000</i>	<i>Total BD'000</i>
2022 - reviewed			
Balance at 1 January 2022	<u>94</u>	<u>123</u>	<u>217</u>
Sources of Qard Fund			
Repayments	<u>(13)</u>	<u>13</u>	<u>-</u>
Total sources during the period	<u>(13)</u>	<u>13</u>	<u>-</u>
Uses of Qard fund			
Marriage	<u>-</u>	<u>-</u>	<u>-</u>
Others (Waqf)	<u>23</u>	<u>(23)</u>	<u>-</u>
Total uses during the period	<u>23</u>	<u>(23)</u>	<u>-</u>
Balance at 31 March 2022	<u>104</u>	<u>113</u>	<u>217</u>
2021 - reviewed			
Balance at 1 January 2021	<u>79</u>	<u>138</u>	<u>217</u>
Sources of Qard Fund			
Repayments	<u>(8)</u>	<u>8</u>	<u>-</u>
Total sources during the period	<u>(8)</u>	<u>8</u>	<u>-</u>
Uses of Qard fund			
Marriage	<u>-</u>	<u>-</u>	<u>-</u>
Others (Waqf)	<u>5</u>	<u>(5)</u>	<u>-</u>
Total uses during the period	<u>5</u>	<u>(5)</u>	<u>-</u>
Balance at 31 March 2021	<u>76</u>	<u>141</u>	<u>217</u>
		<i>31 March 2022 BD'000 (reviewed)</i>	<i>31 March 2021 BD'000 (reviewed)</i>
Sources of Qard fund			
Contribution by the Bank		125	125
Donation		3	3
Non-Islamic income		89	89
		<u>217</u>	<u>217</u>

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND

For the three months ended 31 March 2022

	31 March 2022 BD'000 (reviewed)	31 March 2021 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	353	243
Non-Islamic income / late payment fee	48	21
Contributions by the Bank for zakah	138	122
Contributions by the Bank for donations	350	250
Others	-	6
Total sources of Zakah and charity funds during the period	889	642
Uses of Zakah and charity funds		
Philanthropic societies	-	-
Aid to needy families	55	48
Islamic events	-	-
Others	32	-
Total uses of funds during the period	87	48
Undistributed Zakah and charity funds at the end of the period	802	594

1 REPORTING ENTITY

Bahrain Islamic Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain in 1979 by Amiri Decree No.2 of 1979 and registered with the Ministry of Industry, Commerce and Tourism ("MOICT") under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank operates under an Islamic retail banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Bank is listed on the Bahrain Bourse.

National Bank of Bahrain (NBB) owns 78.81% of shares. Hence NBB is considered as Parent of the Bank for financial reporting purposes.

The Bank's registered office is at Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain.

The Bank has nine branches (2021: nine), all operating in the Kingdom of Bahrain.

The consolidated financial statements include the results of the Bank and its wholly owned subsidiaries (together the "Group"). The Bank holds 100% of the share capital of Abaad Real Estate Company W.L.L.

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 under AAOIFI standards the group uses 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 three months ended 31 March 2022 has been prepared in accordance with FAS issued by AAOIFI (without any modifications).

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 2021. 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 2021.

3 COVID-19 IMPACT

On 11 March 2020, the COVID-19 outbreak was declared, a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets, and in particular oil prices, have also experienced great volatility. The estimation uncertainty is associated with the extent and duration of the expected economic downturn and forecasts for key economic factors including GDP, employment, oil prices etc. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns.

The management and the Board of Directors (BOD) have been closely monitoring the potential impact of the COVID-19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements.

In preparing the condensed consolidated interim financial information, judgements made by management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

As of 31 March 2022, the Bank is compliant with the required Capital Adequacy Ratio, Net Stable Funding Ratio (NSFR), and Liquidity Coverage Ratio (LCR).

Following are some of the significant concessionary measures which were announced by CBB in 2020:

- For assessment of SICR from stage 1 to stage 2 Increase in number of days from 30 to 74 days
- Payment holiday without profit for 6 months to eligible customers;
- Concessionary repo to eligible banks at zero percent;
- Reduction of cash reserve ratio from 5% to 3%;
- Reduction of LCR and NSFR ratio from 100% to 80%;
- Aggregate of modification loss and incremental ECL provision for stage 1 and stage 2 from March to December 2020 to be added back to Tier 1 capital for the two years ending 31 December 2020 and 31 December 2021. And to deduct this amount proportionately from Tier 1 capital on an annual basis for three years ending 31 December 2022, 31 December 2023 and 31 December 2024.

In September 2020, December 2020 and May 2021, the CBB issued another regulatory directive to extend the concessionary measures, i.e. holiday payments to customers till end of December 2020, June 2021 and December 2021 respectively. However, customers will be charged profits during this holiday payment extension period, and hence the Group does not expect significant modification loss as a result of the extension. The Group has provided payment holidays on financing exposures amounting to BD 200,435 thousand for the second deferral (September 2020 to December 2020), BD 218,446 thousand for the third deferral (January 2021 to June 2021) and BD 220,774 thousand for the fourth deferral (July 2021 to December 2021).

On 23 December 2021, the CBB announced fifth deferral from 1 January 2022 to 30 June 2022 and the concessionary measures have been extended until 30 June 2022.

4 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 audited consolidated financial statements as at and for the year ended 31 December 2021, except for adoption of following standards and amendments to standards effective from 1 January 2022. Adoption of these standards and amendments did not result in changes to previously reported net profit or equity of the Group, however it has resulted in additional disclosures.

A. New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2022.

(i) 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 with an option to early adopt.

This standard classifies Wa'ad and Khiyar arrangements into two categories as follows:

- a) "ancillary Wa'ad or Khiyar" which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and
- b) "product Wa'ad and Khiyar" which is used as a stand-alone Shariah compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa'ad and Khiyar products and accounting for Tahawwut (hedging) arrangements based on a series of Wa'ad and Khiyar contracts.

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

B. New standards, amendments, and interpretations issued but not yet effective.

(i) 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.

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

(ii) 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 Quassi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date 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.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The majority of LIBOR and other Interbank Offer Rates are discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates ("ARRs"), with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023. The transition away from the IBORs covers most of the business units and support functions of the Group.

The Group Assets and liabilities committee monitors and manages the Group's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee reports to the Group's board of directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management of profit rate risk and risks arising from IBOR reform.

As of 31 March 2022, the Group did not have any outstanding contracts linked to benchmark rates and it continues to enhance its systems and processes to cope with the change in benchmark rates.

6 JUDGMENT AND ESTIMATES

Preparation of the 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 the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Russia-Ukraine conflict

On 24 February 2022, Russia started an invasion on Ukraine (the "conflict"). Owing to this various countries and international bodies have imposed trade and financial sanctions on Russia and Belarus. Further, various organisations have discontinued their operations in Russia. This conflict has resulted in an economic downturn and increased volatility in commodity prices due to disruption of supply chain.

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct or indirect exposures to / from the impacted countries. 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 31 March 2022 the Group does not have a material impact of this conflict.

7 COMPARATIVE INFORMATION

The condensed interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the Group's audited consolidated financial statements for the year ended 31 December 2021 and comparatives for the condensed consolidated statements of income, changes in owner's equity, cash flows, sources and uses of Good Faith Qard Fund and sources and uses of Zakah and Charity Fund have been extracted from the Group's reviewed condensed consolidated interim financial information for the three months ended 31 March 2021.

Certain of the prior year figures have been regrouped to conform to the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.

8 SEASONALITY

The Bank does not have significant income of seasonal nature. The Other income includes BD Nil thousand (2021: BD Nil thousand) of dividends received from Bank's investments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2022

9 FINANCING ASSETS

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Murabaha	637,129	625,381
Musharaka	88,749	90,238
Mudaraba	3,597	3,565
Gross financing assets	729,475	719,184
Deferred profits	(84,286)	(79,100)
Impairment allowance	(31,762)	(30,616)
Net financing assets	613,427	609,468

9.1 The movement on impairment allowances is as follows:

2022	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Gross financing assets	596,389	73,735	59,351	729,475
Less: Deferred profits	66,502	9,491	8,293	84,286
Less: Impairment allowance				
At 1 January 2022	3,136	9,209	18,271	30,616
Net movement between stages	2	1,390	(1,392)	-
Net charge for the period	31	331	791	1,153
Impairment allowance at 31 March 2022	3,169	10,930	17,663	31,762
Net financing assets	526,718	53,314	33,395	613,427
2021	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Gross financing assets	586,427	70,523	62,234	719,184
Less: Deferred profits	61,714	8,074	9,312	79,100
Less: Impairment allowance				
At 1 January 2021	2,627	5,052	18,360	26,039
Net movement between stages	(58)	(34)	92	-
Net charge for the year	567	4,191	463	5,221
Write-off	-	-	(644)	(644)
Impairment allowance at 31 December 2021	3,136	9,209	18,271	30,616
Net financing assets	521,577	53,240	34,651	609,468

10 INVESTMENT SECURITIES

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
i) Debt type instruments*		
<i>Quoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	230,283	229,189
Acquisitions	1,293	42,569
Disposals and redemptions	(5,383)	(41,475)
Gross balance at the end of the period	226,193	230,283
Impairment allowance	(141)	(161)
Net balance at the end of the period	226,052	230,122
<i>Unquoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	36,087	35,495
Acquisitions	3	23,518
Disposals and redemptions	(3,742)	(22,947)
Foreign currency translation changes	(17)	21
Gross balance at the end of the period	32,331	36,087
Impairment allowance	(12,553)	(12,570)
Net balance at the end of the period	19,778	23,517
ii) Equity type instruments		
<i>Unquoted shares - at fair value through equity</i>		
Balance at beginning of the period	20,549	24,288
Fair value movement - net**	(454)	(3,739)
Balance at the end of the period	20,095	20,549
<i>Unquoted managed funds</i>	436	436
Total net investment securities	266,361	274,624

* As of 31 March 2022, debt type instruments includes Sukuk of BD 88,832 thousand (31 December 2021: BD 64,533 thousand) pledged against financing from financial institutions of BD 74,933 thousand (31 December 2021: BD 56,919 thousand) (note 14).

**Includes BD 11 thousand (2021: BD 82 thousand) reported in investment securities fair value reserve and BD 465 thousand (2021: BD 3,821 thousand) is disclosed in income statement.

11 IJARAH MUNTAHIA BITTAMLEEK

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Gross Ijarah Muntahia Bittamleek	267,930	259,731
Impairment allowance	(2,359)	(2,349)
Ijarah muntahia bittamleek carrying amount	<u>265,571</u>	<u>257,382</u>

11.1 The movement on impairment allowances is as follows:

2022	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Gross Ijarah Muntahia Bittamleek	253,808	11,030	3,092	267,930
Less: Impairment allowance				
At 1 January 2022	730	414	1,205	2,349
Net movement between stages	4	(4)	-	-
Net charge for the period	16	(6)	-	10
Impairment allowance at 31 March 2022	750	404	1,205	2,359
Ijarah muntahia bittamleek carrying amount	<u>253,058</u>	<u>10,626</u>	<u>1,887</u>	<u>265,571</u>
2021	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Gross Ijarah Muntahia Bittamleek	244,834	11,778	3,119	259,731
Less: Impairment allowance				
At 1 January 2021	467	601	1,275	2,343
Net movement between stages	119	(52)	(67)	-
Net charge for the year	144	(135)	(3)	6
Impairment allowance at 31 December 2021	730	414	1,205	2,349
Ijarah muntahia bittamleek carrying amount	<u>244,104</u>	<u>11,364</u>	<u>1,914</u>	<u>257,382</u>

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12 INVESTMENT IN REAL ESTATE

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Lands	14,040	14,680
	<u>14,040</u>	<u>14,680</u>
	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Movement on investment in real estate:		
Beginning of the period	14,680	16,226
Disposal	-	-
Fair value changes	(640)	(1,546)
End of the period	<u>14,040</u>	<u>14,680</u>

Investment in real estate comprises properties located in the Kingdom of Bahrain and the United Arab Emirates.

13 OTHER ASSETS

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Reposessed assets*	2,515	2,515
Receivables	8,034	8,013
Staff advances	1,524	1,536
Prepaid expenses	504	367
Right of use asset (13.1)	311	361
Other	459	300
	<u>13,347</u>	<u>13,092</u>

*Reposessed assets comprise lands located in Kingdom of Bahrain and are net of impairment allowance of BD 1,143 thousand (2021: BD 1,143 thousand).

13.1 RIGHT OF USE ASSET

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
At 1 January	361	503
Additions for the period	33	183
Amortisation charge for the period	(83)	(325)
End of the period	<u>311</u>	<u>361</u>

14 FINANCING FROM FINANCIAL INSTITUTIONS

Represents term murabaha facilities of BD 74,933 thousand (2021: BD 56,919 thousand) secured by pledge over Sukuk of BD 88,832 thousand (2021: BD 64,533 thousand). The average rate of financing is 1.60% (2021: 1.05%) (note 10).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2022

15 OTHER LIABILITIES

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Managers' cheques	9,156	5,754
Payable to vendors	2,871	3,911
Accrued expenses	5,357	4,879
Zakah and charity fund	802	353
Net Ijarah liability (15.1)	316	344
Other*	14,232	14,873
	<u>32,734</u>	<u>30,114</u>

* Other includes impairment allowance for commitments and contingent liabilities of BD 1,484 thousand (2021: BD 3,296 thousand) (refer note 19) and provision for litigation claims of BD 3,202 thousand (2021: BD 3,202 thousand)

15.1 NET IJARAH LIABILITY

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Maturity analysis – Gross Ijarah liability		
Less than one year	199	214
One to five years	127	140
Total gross Ijarah liability	<u>326</u>	<u>354</u>
Maturity analysis – net Ijarah liability		
Less than one year	172	203
One to five years	144	141
Total net Ijarah liability	<u>316</u>	<u>344</u>

16 EQUITY OF INVESTMENT ACCOUNTHOLDERS

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Placements and financing from financial institutions – Wakala	28,997	42,239
Placements from non-financial institutions and individuals – Wakala	38,293	47,197
Mudharaba	438,197	426,794
	<u>505,487</u>	<u>516,230</u>

16 EQUITY OF INVESTMENT ACCOUNT HOLDERS (Continued)

The funds received from Wakala pool and mudharba pool together "IAH" have been commingled and jointly invested with the Group in the following asset classes and reported under equity of investment account holders:

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Cash and balances with banks and Central Bank	25,185	23,346
Placements with financial institutions	14,519	11,400
Financing assets, net	254,016	261,894
Investment securities, net	101,797	108,991
Ijarah Muntahia Bittamleek	109,970	110,599
	505,487	516,230

17 INCOME FROM INVESTMENT IN SUKUK

	31 March 2022 BD'000 (Reviewed)	31 March 2021 BD'000 (Reviewed)
Profit income on investment in Sukuk	3,154	3,224
Gain on sale of Sukuk	114	489
	3,268	3,713

18 IMPAIRMENT ALLOWANCE AND OTHER PROVISIONS, NET

	31 March 2022 BD'000 (Reviewed)	31 March 2021 BD'000 (Reviewed)
Financing assets (note 9.1)	1,153	1,401
Ijarah rental receivables (note 11.1)	10	53
Investments in Sukuk	(20)	(66)
Investments at fair value through equity	465	359
Investment in associates	495	-
Placements with financial institutions	2	3
Commitments	(134)	(26)
Impairment allowance, net	1,971	1,724
Litigation claims	200	-
Total impairment allowance and other provisions, net	2,171	1,724

19 COMMITMENTS AND CONTINGENT LIABILITIES

These include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Letters of credit and guarantees commit the Group to make payments on behalf of customers.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	31 March 2022 BD'000 (Reviewed)	31 December 2021 BD'000 (Audited)
Letters of credit and acceptances	1,884	4,522
Guarantees	29,944	43,088
Credit Cards	37,675	37,613
Altamweel Almaren	32,423	24,722
Commitments to finance	28,100	31,644
	130,026	141,589

Impairment allowance of BD 1,484 thousand (2021: BD 3,296 thousand) has been provided on account of the credit risk on these for commitments and contingent liabilities. During the period an amount of BD 1,679 thousand was utilized.

20 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.

In 2021, the Group is defending a claim from the Official Committee of Unsecured Creditors of Arcapita Bank B.S.C. (c) against it based on a preliminary judgement. The Group has filed an appeal against this judgement and a provision of USD 18.3 million (BD 6.9 million) has been made, which consists of USD 9.8 million (BD 3.7 million) for the principal amount and USD 8.5 million (BD 3.2 million) for the profit amount. The Group has pledged a bond for the full amount with a surety in order to stay the execution of judgement until issuance of appeal judgement. During the period, based on management assessment an additional provision of USD 0.5 million (BD 0.2 million) has been made towards future contingencies relating to the case.

Further in 2020, an investor has filed a claim against the Group during 2021, the Group received judgment in its favour from the Court and the investor has filed an appeal. 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 this appeal.

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.

21 RELATED PARTY TRANSACTIONS

Related parties comprise of major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership or directors with that of the Bank. The transactions with these parties were made on commercial terms.

The significant balances and transactions with related parties at 31 March 2022 were as follows:

31 March 2022 (reviewed)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Cash and balances with banks and Central Bank	255	-	-	-	255
Placements with financial institutions	14,001	-	-	-	14,001
Financing assets	-	-	1,339	207	1,546
Ijarah Muntahia Bittamleek	-	-	297	198	495
Investment in associates	-	8,804	-	-	8,804
Other assets	-	-	-	315	315
Liabilities and Equity of investment accountholders					
Financing from financial institutions	37,069	-	-	-	37,069
Customers' current accounts	-	1,044	691	179	1,914
Other liabilities	81	-	236	-	317
Equity of investment accountholders	-	-	608	2,407	3,015
31 March 2022 (reviewed)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing	-	-	29	4	33
Placements with financial institutions	43	-	-	-	43
Share of results of associates, net	-	(16)	-	-	(16)
Return on equity of investment accountholders	-	-	-	(26)	(26)
Expense on financing from financial institutions	(160)	-	-	-	(160)
Expenses					
Staff costs	-	-	-	(328)	(328)
Other expenses	-	-	(203)	-	(203)
31 December 2021 (audited)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Assets					
Cash and balances with banks and Central Bank	317	-	-	-	317
Placements with financial institutions	18,509	-	-	-	18,509
Financing assets	-	-	1,396	167	1,563
Ijarah Muntahia Bittamleek	-	-	326	71	397
Investment in associates	-	9,314	-	-	9,314
Other assets	-	-	-	224	224
Liabilities and Equity of investment accountholders					
Placements from non-financial institutions and individuals	-	-	90	-	90
Financing from financial institutions	19,159	-	-	-	19,159
Customers' current accounts	-	1,374	650	226	2,250
Other liabilities	-	-	272	-	272
Equity of investment accountholders	-	-	516	1,995	2,511
31 March 2021 (reviewed)					
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
Income					
Income from financing	-	-	31	6	37
Share of results of associates, net	-	(443)	-	-	(443)
Return on equity of investment accountholders	-	-	-	(23)	(23)
Expense on placements from non-financial institutions and individuals	-	-	(11)	-	(11)
Expense on financing from financial institutions	(22)	-	-	-	(22)
Expenses					
Staff costs	-	-	-	(426)	(426)
Other expenses	-	-	(117)	-	(117)

21 RELATED PARTY TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>BD'000</i>	<i>BD'000</i>
Short term employee benefits	261	339
Other long term benefits	67	87
	328	426

22 FINANCIAL INSTRUMENTS***Fair value hierarchy***

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities/Sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/Sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

In case of financing assets 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 from fair value of these assets. Unquoted shares and unquoted managed funds of BD 20,531 thousand (31 December 2021: BD 20,985 thousand) are treated as Level 3 investments. During the period fair value movement of BD 465 thousand (31 December 2021: BD 359 thousand) was charged to income statement and BD 10 thousand (31 December 2021: BD 48 thousand) was charged to the fair value reserve. The estimated fair value of the Bank's other financial instruments are not significantly different from their carrying values due to their short-term nature.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
31 March 2022				
Investment securities				
Unquoted shares	-	-	20,095	20,095
Unquoted managed funds	-	-	436	436
Total	-	-	20,531	20,531
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
31 December 2021				
Investment securities				
Unquoted shares	-	-	20,549	20,549
Unquoted managed funds	-	-	436	436
Total	-	-	20,985	20,985

Transfers between Level 1, Level 2 and Level 3

During the three-months period ended 31 March 2022 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

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23 SEGMENTAL INFORMATION

For management purposes, the Group is organised into three major business segments:

Corporate	Principally handling equity of corporate investment accountholders', corporate current accounts, and providing Islamic financing facilities to corporate customers.
Retail	Principally handling equity of individual retail customers' investment accountholders', retail current accounts, and providing Islamic financing facilities to individual customers.
Investment	Principally handling equity of banks' and financial institutions' investment accountholders, providing money market, trading and treasury services as well as the management of the Group's investment activities. Investment activities involve handling investments in local and international markets and investment in properties.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information is disclosed as follows:

	<i>For the three months ended 31 March 2022 (Reviewed)</i>			
	<i>Corporate</i> <i>BD'000</i>	<i>Retail</i> <i>BD'000</i>	<i>Investment</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
Total net income	3,914	7,193	2,649	13,756
Total expenses	(1,482)	(4,474)	(666)	(6,622)
Impairment allowance, net	(1,062)	34	(1,143)	(2,171)
Profit for the period	1,370	2,753	840	4,963
Other information				
	<i>31 March 2022 (Reviewed)</i>			
	<i>Corporate</i> <i>BD'000</i>	<i>Retail</i> <i>BD'000</i>	<i>Investment</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
Segment assets	281,253	649,598	462,674	1,393,525
Segment liabilities, and equity	495,496	638,545	259,484	1,393,525
	<i>For the three months ended 31 March 2021 (reviewed)</i>			
	<i>Corporate</i> <i>BD'000</i>	<i>Retail</i> <i>BD'000</i>	<i>Investment</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
Total net income	2,477	6,079	3,414	11,970
Total expenses	(1,303)	(4,098)	(533)	(5,934)
Impairment allowance, net	(947)	(482)	(295)	(1,724)
Profit for the period	227	1,499	2,586	4,312
Other information				
	<i>31 December 2021 (Audited)</i>			
	<i>Corporate</i> <i>BD'000</i>	<i>Retail</i> <i>BD'000</i>	<i>Investment</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
Segment assets	280,324	636,343	407,869	1,324,536
Segment liabilities, and equity	441,740	630,758	252,038	1,324,536

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

24 NET STABLE FUNDING RATIO

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 will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. 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.

The NSFR is calculated in accordance with the Liquidity Risk Management Module guidelines issued by CBB and its effective from 31 December 2019. The minimum NSFR ratio as per CBB is 80%.

24 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 March 2022 is calculated as follows:

Item	No Specified maturity	Unweighted Values (before applying factors)			BD'000
		Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	145,931	-	-	17,122	163,053
Other Capital Instruments	-	-	-	-	-
Retail Deposits and deposits from small business customers:					
Stable Deposits	-	271,144	6,052	1,218	264,553
Less stable deposits	-	309,231	61,515	15,604	349,275
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	435,926	128,346	1,435	158,872
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	15,404	-	-	-
Total ASF	145,931	1,031,705	195,913	35,379	935,753
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	194,470	-	88,832	-	52,273
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	137,819	4,369	10,407	33,265
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	85,073	72,638	706,699	669,494
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
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 contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	98,222	-	-	10,398	108,620
OBS items	130,026	-	-	-	6,501
Total RSF	422,718	222,892	165,839	727,504	870,153
NSFR (%)					107.5%

24 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 31 December 2021 is calculated as follows:

Item	No Specified maturity	Unweighted Values (before applying factors)			BD'000
		Less than 6 months	More than 6 months and less than one year	Over one year	Total Weighted Value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	141,369	-	-	15,369	156,739
Other Capital Instruments	-	-	-	-	-
Retail Deposits and deposits from small business customers:					
Stable Deposits	-	265,438	6,156	1,742	259,756
Less stable deposits	-	310,106	54,700	21,129	349,454
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	435,985	69,000	4,406	134,547
Other liabilities:					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	12,791	-	-	-
Total ASF	141,369	1,024,320	129,856	42,646	900,496
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	246,036	-	43,324	-	32,186
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	93,553	4,503	11,032	27,316
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	86,027	61,651	681,109	651,799
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
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 contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	100,489	-	-	10,468	110,957
OBS items	140,083	-	-	-	7,004
Total RSF	486,608	179,580	109,478	702,609	829,262
NSFR (%)					108.6%

SUPPLEMENTARY DISCLOSURES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

In 2020, the Central Bank of Bahrain (CBB) announced various measures to combat the effects of COVID-19 to ease liquidity conditions in the economy as well as to assist banks in complying with regulatory requirements. These measures include the following:

- Payment holiday for 6 months to eligible customers;
- Concessionary repo to eligible banks at zero percent;
- Reduction of cash reserve ratio from 5% to 3%;
- Reduction of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) ratio from 100% to 80%;
- Aggregate of modification loss and incremental expected credit losses (ECL) provision for stage 1 and stage 2 from March to December 2020 to be added back to Tier 1 capital for the two years ended 31 December 2020 and ending 31 December 2021. And to deduct this amount proportionately from Tier 1 capital on an annual basis for three years ending 31 December 2022, 31 December 2023 and 31 December 2024.

The aforementioned measures have resulted in the following effects to the Group:

- The CBB mandated 6-month payment holidays requires impacted banks to recognize a one-off modification loss directly in equity. The modification loss has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification. The CBB subsequently announced a second, third, fourth and fifth payment holiday programmes effective September 2020 for a period of four months, January 2021 for a period of six months, July 2021 for a period of six months and January 2022 for a period of six months. The latter fourth programmes permitted banks to charge profit, and as such, did not result in any additional modification losses to the Group.

- The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Group received regulatory directive financial assistance representing specified reimbursement of a portion of staff costs, waiver of fees, levies and utility charges and zero cost funding received from the government and/or regulators, in response to its COVID-19 support measures. This has been recognized directly in the Group's equity.

- The Group continues to meet the regulatory requirement of CAR, LCR and NSFR.
- The stressed economic situation resulted in the Group recognizing incremental ECL on its exposures.

The Group holds a BHD 3.6 million provision in excess of the base ECL model as a precaution toward future currently unidentified risks that the Group may face as a result of COVID-19.

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14 July 2020. This information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by external auditors.