

**BAHRAIN ISLAMIC BANK B.S.C.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**30 JUNE 2023**

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

---

<b>CONTENTS</b>	<b>Page</b>
Independent auditors' report on review of condensed consolidated interim financial information	1
<b>Condensed consolidated interim financial information</b>	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of cash flows	4
Condensed consolidated statement of changes in owners' equity	5
Condensed consolidated statement of sources and uses of good faith qard fund	6
Condensed consolidated statement of sources and uses of zakah and charity fund	7
Notes to the condensed consolidated interim financial information	8 – 23



KPMG Fakhro  
Audit  
12<sup>th</sup> Floor, Fakhro Tower,  
P.O. Box 710, Manama,  
Kingdom of Bahrain

Telephone +973 17224807  
Telefax +973 17227443  
Website: [www.kpmg.com/bh](http://www.kpmg.com/bh)  
CR No. 6220 - 2

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

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

## Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial information of Bahrain Islamic Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of sources and uses of good faith qard fund for the six-month period ended 30 June 2023;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the six-month period ended 30 June 2023; and
- notes to the condensed consolidated interim financial information.

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

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

2 August 2023

# Bahrain Islamic Bank B.S.C.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

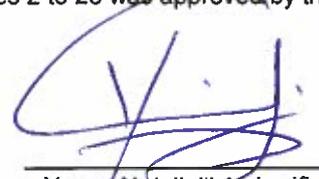
As at 30 June 2023

	Note	30 June 2023 BD'000 (reviewed)	31 December 2022 BD'000 (audited)
<b>ASSETS</b>			
Cash and balances with banks and Central Bank		60,224	70,037
Placements with financial institutions		37,459	69,755
Financing assets	8	633,115	620,023
Investment securities	9	276,507	259,029
Ijarah Muntahia Bittamleek	10	309,921	289,986
Investment in associates		8,115	8,832
Investment in real estate	11	16,176	16,176
Property and equipment		13,679	14,019
Other assets	12	15,465	13,960
<b>TOTAL ASSETS</b>		<b>1,370,661</b>	<b>1,361,817</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Placements from financial institutions		143,252	152,404
Placements from non-financial institutions and individuals		282,203	245,442
Financing from financial institutions	13	110,236	110,113
Customers' current accounts		208,386	231,078
Other liabilities	14	44,316	36,621
<b>Total Liabilities</b>		<b>788,393</b>	<b>775,658</b>
<b>Equity of Investment Accountholders</b>			
Financial institutions		50,778	29,953
Non-financial institutions and individuals		391,931	420,455
<b>Total Equity of Investment Accountholders</b>	15	<b>442,709</b>	<b>450,408</b>
<b>Owners' Equity</b>			
Share capital		106,406	106,406
Treasury shares		(892)	(892)
Shares under employee share incentive scheme		(169)	(293)
Share premium		206	206
Reserves		9,008	5,324
<b>Equity Attributable to Parent's Shareholders</b>		<b>114,559</b>	<b>110,751</b>
Subordinated Mudaraba (AT1)		25,000	25,000
<b>Total Owners' Equity</b>		<b>139,559</b>	<b>135,751</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>1,370,661</b>	<b>1,361,817</b>

The condensed consolidated interim financial information comprising of pages 2 to 23 was approved by the Board of Directors on 2 August 2023 and signed on its behalf by:

  
Dr. Esam Abdulla Fakhro  
Chairman

  
Usman Ahmed  
Vice Chairman

  
Yaser Abduljallil Alsharifi  
Chief Executive Officer

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Note	Six months ended 30 June		Three months ended 30 June	
		2023 BD'000 (reviewed)	2022 BD'000 (reviewed)	2023 BD'000 (reviewed)	2022 BD'000 (reviewed)
<b>INCOME</b>					
Income from financing		24,687	23,689	12,710	11,120
Income from investment in Sukuk	16	7,275	6,230	3,807	2,962
<b>Total income from jointly financed assets</b>		<b>31,962</b>	<b>29,919</b>	<b>16,517</b>	<b>14,082</b>
Return on equity of investment accountholders		(8,561)	(12,382)	(3,560)	(5,708)
Group's share as Mudarib		8,031	10,810	3,976	4,867
Net return on equity of investment accountholders		(530)	(1,572)	416	(841)
<b>Group's share of income from jointly financed assets (both as mudarib and investor)</b>		<b>31,432</b>	<b>28,347</b>	<b>16,933</b>	<b>13,241</b>
Expense on placements from financial institutions		(3,573)	(1,816)	(1,805)	(979)
Expense on placements from non-financial institutions and individuals		(7,148)	(3,272)	(3,810)	(1,623)
Expense on financing from financial institutions		(2,677)	(462)	(1,483)	(282)
Fee and commission income, net		2,873	3,140	1,542	1,474
Income from investment securities		6	15	6	15
Income from investment in real estate, net		188	(708)	40	(112)
Share of results of associates, net		159	(8)	32	8
Other income, net		1,572	718	720	456
<b>Total income</b>		<b>22,832</b>	<b>25,954</b>	<b>12,175</b>	<b>12,198</b>
<b>EXPENSES</b>					
Staff costs		6,329	6,703	3,196	3,254
Depreciation and amortization		898	827	456	415
Other expenses		6,248	5,590	3,397	2,829
<b>Total expenses</b>		<b>13,475</b>	<b>13,120</b>	<b>7,049</b>	<b>6,498</b>
<b>Profit before impairment allowances and other provisions</b>		<b>9,357</b>	<b>12,834</b>	<b>5,126</b>	<b>5,700</b>
Impairment allowance and other provisions, net	17	(3,322)	(4,569)	(2,094)	(2,398)
<b>PROFIT FOR THE PERIOD</b>		<b>6,035</b>	<b>8,265</b>	<b>3,032</b>	<b>3,302</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (fils)</b>		<b>3.92</b>	<b>6.04</b>	<b>1.07</b>	<b>1.33</b>

Dr. Esam Abdulla Fakhro  
Chairman

Usman Ahmed  
Vice Chairman

Yaser Abduljamil Alsharifi  
Chief Executive Officer

Bahrain Islamic Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2023</b>	<b>2022</b>
	<b>BD'000</b>	<b>BD'000</b>
	<b>(reviewed)</b>	<b>(reviewed)</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	6,035	8,265
Adjustments for non-cash items:		
Depreciation	736	664
Fair value movement on investment in real estate	-	827
Impairment allowance and other provisions, net	3,322	4,569
Amortization of right-of-use asset	162	163
Amortization of gain on sale of investment in real estate	(108)	(9)
Gain on sale of investment in sukuk	(1)	(305)
Share of results of associates, net	(159)	8
Operating profit before changes in operating assets and liabilities	<b>9,987</b>	<b>14,182</b>
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	695	(1,365)
Financing assets	(15,175)	(24,195)
Ijarah Muntahia Bittamleek	(20,196)	(26,031)
Other assets	(1,211)	(1,333)
Customers' current accounts	(22,693)	31,543
Other liabilities	7,663	3,695
Placements from financial institutions	(8,473)	60,764
Placements from non-financial institutions and individuals	36,761	15,659
Equity of investment accountholders	(7,699)	(19,381)
<b>Net cash (used in) / from operating activities</b>	<b>(20,341)</b>	<b>53,538</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(396)	(1,243)
Purchase of investment securities	(18,112)	(1,367)
Proceeds from disposal of investment securities	49	24,454
<b>Net cash (used in) / from investing activities</b>	<b>(18,459)</b>	<b>21,844</b>
<b>FINANCING ACTIVITIES</b>		
Profit distribution on AT1 Capital	(1,901)	(1,901)
Financing from financial institutions	123	18,295
Lease liability paid	(157)	(202)
<b>Net cash (used in) / from financing activities</b>	<b>(1,935)</b>	<b>16,192</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(40,735)</b>	<b>91,574</b>
Cash and cash equivalents at 1 January	<b>101,073</b>	<b>106,678</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>60,338</b>	<b>198,252</b>
Cash and cash equivalents comprise of:		
Cash on hand	11,623	14,456
Balances with CBB, excluding mandatory reserve deposits	1,406	11,769
Balances with banks and other financial institutions excluding restricted balances	9,850	15,145
Placements with financial institutions with original maturities less than 90 days	37,459	156,882
	<b>60,338</b>	<b>198,252</b>



**Bahrain Islamic Bank B.S.C.**

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

For the six months ended 30 June 2023

	<i>Qard Hasan receivables BD'000</i>	<i>Funds available for Qard Hasan BD'000</i>	<i>Total BD'000</i>
<b>2023 - reviewed</b>			
Balance at 1 January 2023	<u>107</u>	<u>110</u>	<u>217</u>
Sources of Qard Fund			
Repayments	<u>(14)</u>	<u>14</u>	<u>-</u>
Total sources during the period	<u>(14)</u>	<u>14</u>	<u>-</u>
Uses of Qard fund			
Marriage	<u>13</u>	<u>(13)</u>	<u>-</u>
Others (Waqf)	<u>26</u>	<u>(26)</u>	<u>-</u>
Total uses during the period	<u>39</u>	<u>(39)</u>	<u>-</u>
<b>Balance at 30 June 2023</b>	<b><u>132</u></b>	<b><u>85</u></b>	<b><u>217</u></b>
<b>2022 - reviewed</b>			
Balance at 1 January 2022	<u>94</u>	<u>123</u>	<u>217</u>
Sources of Qard Fund			
Repayments	<u>(24)</u>	<u>24</u>	<u>-</u>
Total sources during the period	<u>(24)</u>	<u>24</u>	<u>-</u>
Uses of Qard fund			
Marriage	<u>-</u>	<u>-</u>	<u>-</u>
Others (Waqf)	<u>33</u>	<u>(33)</u>	<u>-</u>
Total uses during the period	<u>33</u>	<u>(33)</u>	<u>-</u>
Balance at 30 June 2022	<u>103</u>	<u>114</u>	<u>217</u>
		<b><i>30 June 2023 BD'000 (reviewed)</i></b>	<b><i>30 June 2022 BD'000 (reviewed)</i></b>
<b>Sources of Qard fund</b>			
Contribution by the Bank		<u>125</u>	<u>125</u>
Donation		<u>3</u>	<u>3</u>
Non-Islamic income		<u>89</u>	<u>89</u>
		<b><u>217</u></b>	<b><u>217</u></b>

**Bahrain Islamic Bank B.S.C.****CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND**

For the six months ended 30 June 2023

	<b>30 June 2023 BD'000 (reviewed)</b>	<b>30 June 2022 BD'000 (reviewed)</b>
<b>Sources of Zakah and charity funds</b>		
Undistributed Zakah and charity funds at the beginning of the period	<b>676</b>	353
Non-Islamic income / late payment fee	<b>227</b>	48
Contributions by the Bank for zakah	<b>172</b>	138
Contributions by the Bank for donations	<b>250</b>	350
Others	<b>2</b>	3
Total sources of Zakah and charity funds during the period	<b>1,327</b>	892
<b>Uses of Zakah and charity funds</b>		
Philanthropic societies	<b>10</b>	14
Aid to needy families	<b>149</b>	110
Others	<b>58</b>	34
Total uses of funds during the period	<b>217</b>	158
<b>Undistributed Zakah and charity funds at the end of the period</b>	<b>1,110</b>	734

## 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 and Commerce ("MOIC") 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% (31 December 2022: 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 (2022: nine), all operating in the Kingdom of Bahrain.

The condensed consolidated interim financial information includes 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

This condensed consolidated interim financial information 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").

The condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by Financial Accounting Standard 41 - Interim Financial Reporting. 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").

The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2022.

## 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 audited consolidated financial statements as at and for the year ended 31 December 2022, except for adoption of following standards and amendments to standards effective from 1 January 2023. 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. Relevant new standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2023.***

#### **(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.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period. (for example: AAOIFI Shari'a standard 35 Zakah, regulatory requirements or guidance from Shari'a supervisory board, as applicable).

An institution obliged to pay Zakah by law or by virtue of its constitution documents shall recognise current Zakah due for the period as an expense in its financial statements. Where Zakah is not required to be paid by law or by virtue of its constitution documents, and where the institution is considered as an agent to pay Zakah on behalf of certain stakeholders, any amount paid in respect of Zakah shall be adjusted with the equity of the relevant stakeholders.

The Group has adopted this standard and will provide the necessary additional disclosures in its annual consolidated financial statements.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Relevant new standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2023 (continued)**

**(ii) FAS 41 Interim financial reporting**

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023.

The Group adopted this standard for the basis of preparation of its consolidated condensed interim financial information. The adoption of this standard did not have any significant impact on the Group's interim financial information.

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

**(i) FAS 1 General Presentation and Disclosures in the Financial Statements**

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

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

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 statement in line with the wider market practice.

#### 4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2022.

To manage its profit rate risk on the sukuk portfolio, the group entered into a profit rate swaps with its Parent.

#### 5 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 2022.

##### *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 30 June 2023, the Group does not have a material impact of this conflict.

#### 6 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 2022 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 six months ended 30 June 2022.

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.

#### 7 SEASONALITY

The Bank does not have significant income of seasonal nature. The Other income includes BD 6 thousand (2022: BD 15 thousand) of dividends received from Bank's investments.

## 8 FINANCING ASSETS

	30 June 2023 BD'000 (Reviewed)	31 December 2022 BD'000 (Audited)
Murabaha	657,667	650,474
Musharaka	89,945	90,563
<b>Gross financing assets</b>	<b>747,612</b>	<b>741,037</b>
Deferred profits	(81,339)	(81,805)
Impairment allowance (8.1)	(33,158)	(39,209)
<b>Net financing assets</b>	<b>633,115</b>	<b>620,023</b>

## 8.1 The movement on impairment allowances is as follows:

2023	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
<b>Gross financing assets</b>	<b>591,047</b>	<b>76,313</b>	<b>80,252</b>	<b>747,612</b>
<b>Less: Deferred profits</b>	<b>58,830</b>	<b>9,085</b>	<b>13,424</b>	<b>81,339</b>
<b>Less: Impairment allowance</b>				
At 1 January 2023	3,037	11,215	24,957	39,209
Net movement between stages	186	(1,911)	1,725	-
Net charge for the period	25	(475)	2,490	2,040
Write-off	-	-	(8,091)	(8,091)
<b>Impairment allowance at 30 June 2023</b>	<b>3,248</b>	<b>8,829</b>	<b>21,081</b>	<b>33,158</b>
<b>Net financing assets</b>	<b>528,969</b>	<b>58,399</b>	<b>45,747</b>	<b>633,115</b>
2022	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
<b>Gross financing assets</b>	<b>572,831</b>	<b>92,937</b>	<b>75,269</b>	<b>741,037</b>
<b>Less: Deferred profits</b>	<b>58,710</b>	<b>11,512</b>	<b>11,583</b>	<b>81,805</b>
<b>Less: Impairment allowance</b>				
At 1 January 2022	3,136	9,209	18,271	30,616
Net movement between stages	295	(155)	(140)	-
Net charge for the year	(394)	2,161	7,644	9,411
Write-off	-	-	(818)	(818)
<b>Impairment allowance at 31 December 2022</b>	<b>3,037</b>	<b>11,215</b>	<b>24,957</b>	<b>39,209</b>
<b>Net financing assets</b>	<b>511,084</b>	<b>70,210</b>	<b>38,729</b>	<b>620,023</b>

## 9 INVESTMENT SECURITIES

	30 June 2023 BD'000 (Reviewed)	31 December 2022 BD'000 (Audited)
<b>i) Debt type instruments*</b>		
<i>Quoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	222,116	230,928
Acquisitions	18,112	19,124
Disposals and redemptions	(49)	(27,936)
<b>Gross balance at the end of the period**</b>	<b>240,179</b>	<b>222,116</b>
Impairment allowance	(149)	(129)
Fair value losses on hedged items attributable to profit rate risk hedged**	(2,421)	(1,886)
<b>Net balance at the end of the period</b>	<b>237,609</b>	<b>220,101</b>
<i>Unquoted Sukuk - carried at amortised cost</i>		
Gross balance at the beginning of the period	30,938	35,442
Disposals and redemptions	-	(4,461)
Foreign currency translation changes	(12)	(43)
<b>Gross balance at the end of the period</b>	<b>30,926</b>	<b>30,938</b>
Impairment allowance	(12,515)	(12,527)
<b>Net balance at the end of the period</b>	<b>18,411</b>	<b>18,411</b>
<b>ii) Equity type instruments</b>		
<i>Unquoted shares - at fair value through equity</i>		
Balance at beginning of the period	20,081	20,549
Fair value movement - net***	(30)	(468)
Balance at the end of the period	20,051	20,081
<i>Unquoted managed funds</i>		
	436	436
<b>Total net investment securities</b>	<b>276,507</b>	<b>259,029</b>

\* As of 30 June 2023, debt type instruments includes Sukuk of BD 128,392 thousand (31 December 2022: BD 128,406 thousand) pledged against financing from financial institutions of BD 110,236 thousand (31 December 2022: BD 110,113 thousand) (note 13).

\*\* As of 30 June 2023, sukuk of BD 115,060 thousand (31 December 2022: BD 97,134) carried at amortised cost were hedged through profit rate swaps and the resultant fair value losses on the hedged items related to profit rate risk of BD 2,421 thousand (31 December 2022: BD 1,886 thousand) were adjusted to the carrying value.

\*\*\*Includes BD 30 thousand fair value loss (31 December 2022: BD 41 thousand fair value gain) reported in investment securities fair value reserve and BD nil thousand (30 June 2022: BD 465 thousand) is disclosed in condensed consolidated income statement.

For the six months ended 30 June 2023

**10 IJARAH MUNTAHIA BITTAMLEEK**

	<b>30 June 2023 BD'000 (Reviewed)</b>	<b>31 December 2022 BD'000 (Audited)</b>
Gross Ijarah Muntahia Bittamleek	313,402	293,206
Impairment allowance (10.1)	(3,481)	(3,220)
<b>Ijarah muntahia bittamleek carrying amount</b>	<b>309,921</b>	<b>289,986</b>

**10.1 The movement on impairment allowances is as follows:**

<b>2023</b>	<b>Stage 1 BD'000</b>	<b>Stage 2 BD'000</b>	<b>Stage 3 BD'000</b>	<b>Total BD'000</b>
<b>Gross Ijarah Muntahia Bittamleek</b>	<b>297,618</b>	<b>10,868</b>	<b>4,916</b>	<b>313,402</b>
<b>Less: Impairment allowance</b>				
At 1 January 2023	1,680	327	1,213	3,220
Net movement between stages	77	(260)	183	-
Net charge for the period	(9)	49	221	261
<b>Impairment allowance at 30 June 2023</b>	<b>1,748</b>	<b>116</b>	<b>1,617</b>	<b>3,481</b>
<b>Ijarah muntahia bittamleek carrying amount</b>	<b>295,870</b>	<b>10,752</b>	<b>3,299</b>	<b>309,921</b>
<b>2022</b>	<b>Stage 1 BD'000</b>	<b>Stage 2 BD'000</b>	<b>Stage 3 BD'000</b>	<b>Total BD'000</b>
<b>Gross Ijarah Muntahia Bittamleek</b>	<b>277,077</b>	<b>12,663</b>	<b>3,466</b>	<b>293,206</b>
<b>Less: Impairment allowance</b>				
At 1 January 2022	730	414	1,205	2,349
Net movement between stages	27	4	(31)	-
Net charge for the year	923	(91)	39	871
<b>Impairment allowance at 31 December 2022</b>	<b>1,680</b>	<b>327</b>	<b>1,213</b>	<b>3,220</b>
<b>Ijarah muntahia bittamleek carrying amount</b>	<b>275,397</b>	<b>12,336</b>	<b>2,253</b>	<b>289,986</b>

**11 INVESTMENT IN REAL ESTATE**

	<b>30 June 2023 BD'000 (Reviewed)</b>	<b>31 December 2022 BD'000 (Audited)</b>
Lands	16,176	16,176
	<b>16,176</b>	<b>16,176</b>
	<b>30 June 2023 BD'000 (Reviewed)</b>	<b>31 December 2022 BD'000 (Audited)</b>
Movement on investment in real estate:		
Beginning of the period	16,176	17,195
Fair value changes	-	(1,019)
<b>End of the period</b>	<b>16,176</b>	<b>16,176</b>

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

For the six months ended 30 June 2023

**12 OTHER ASSETS**

	<b>30 June 2023 BD'000 (Reviewed)</b>	<b>31 December 2022 BD'000 (Audited)</b>
Receivables*	7,976	8,273
Staff advances	1,675	1,537
Prepaid expenses	905	327
Right of use asset (12.1)	468	230
Derivative assets**	2,476	2,071
Other	1,965	1,522
	<b>15,465</b>	<b>13,960</b>

\*Receivables includes impairment allowance of BD 102 thousand (2022: BD 19 thousand).

\*\* The derivatives are valued based on observable inputs. The fair values of derivative financial instruments held by the Group as at 30 June are provided below:

	<b>30 June 2023</b>		<b>31 December 2022</b>	
	<b>Assets BD'000</b>	<b>Liabilities BD'000</b>	<b>Assets BD'000</b>	<b>Liabilities BD'000</b>
Profit rate swaps (Fair value hedges)	2,421	-	1,886	-
Foreign exchange contracts (Waad) (Other derivatives held for risk management)	55	-	185	-
	<b>2,476</b>	<b>-</b>	<b>2,071</b>	<b>-</b>

The notional amount of derivative financial instruments held by the Group as at 30 June are provided below:

	<b>30 June 2023</b>		<b>31 December 2022</b>	
	<b>Assets BD'000</b>	<b>Liabilities BD'000</b>	<b>Assets BD'000</b>	<b>Liabilities BD'000</b>
Profit rate swaps (Fair value hedges)	115,060	-	97,134	-
Foreign exchange contracts (Waad) (Other derivatives held for risk management)	-	34,073	-	63,608
	<b>115,060</b>	<b>34,073</b>	<b>97,134</b>	<b>63,608</b>

The net hedge ineffectiveness gain/losses recognized in the condensed consolidated income statement are as follows:

	<b>30 June 2023 BD'000</b>	<b>30 June 2022 BD'000</b>
Losses on the hedged items attributable to risk hedged	(2,421)	(897)
Gains on the hedging instruments	2,421	897
<b>Net hedge ineffectiveness (loss)/gain</b>	<b>-</b>	<b>-</b>

**12.1 RIGHT OF USE ASSET**

	<b>30 June 2023 BD'000 (Reviewed)</b>	<b>31 December 2022 BD'000 (Audited)</b>
At 1 January	230	361
Additions for the period	400	193
Amortisation charge for the period	(162)	(324)
<b>End of the period</b>	<b>468</b>	<b>230</b>

For the six months ended 30 June 2023

**13 FINANCING FROM FINANCIAL INSTITUTIONS**

Represents term murabaha facilities of BD 110,236 thousand (2022: BD 110,113 thousand) secured by pledge over Sukuk of BD 128,392 thousand (2022: BD 128,406 thousand). The term murabaha facilities includes BD 72,779 thousand (2022: BD 108,865 thousand) from the Parent. The average rate of financing is 5.47% (2022: 3.94%) (note 9).

**14 OTHER LIABILITIES**

	30 June 2023 BD'000 (Reviewed)	31 December 2022 BD'000 (Audited)
Managers' cheques	2,865	3,984
Payable to vendors	6,221	3,708
Accrued expenses	6,331	7,288
Zakah and charity fund	1,110	676
Net Ijarah liability (14.1)	436	191
Other*	27,353	20,774
	<u>44,316</u>	<u>36,621</u>

\* Other includes impairment allowance for commitments and contingent liabilities of BD 1,465 thousand (2022: BD 1,582 thousand) and provision for litigation claims of BD 5,247 thousand (2022: BD 5,087 thousand).

**14.1 NET IJARAH LIABILITY**

	30 June 2023 BD'000 (Reviewed)	31 December 2022 BD'000 (Audited)
Maturity analysis – Gross Ijarah liability		
Less than one year	318	147
One to five years	224	91
<b>Total gross Ijarah liability</b>	<u>542</u>	<u>238</u>
Maturity analysis – net Ijarah liability		
Less than one year	223	110
One to five years	213	81
<b>Total net Ijarah liability</b>	<u>436</u>	<u>191</u>

**15 EQUITY OF INVESTMENT ACCOUNTHOLDERS**

	30 June 2023 BD'000 (Reviewed)	31 December 2022 BD'000 (Audited)
Placements from financial institutions – Wakala	50,778	29,953
Placements from non-financial institutions and individuals – Wakala	7,646	15,050
Mudharaba	384,285	405,405
	<u>442,709</u>	<u>450,408</u>

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:

	30 June 2023 BD'000 (Reviewed)	31 December 2022 BD'000 (Audited)
Cash and balances with banks and Central Bank	33,136	18,543
Financing assets, net	216,259	233,140
Investment securities, net	87,451	109,040
Ijarah Muntahia Bittamleek	105,863	89,685
	<u>442,709</u>	<u>450,408</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16 INCOME FROM INVESTMENT IN SUKUK

	30 June 2023 BD'000 (Reviewed)	30 June 2022 BD'000 (Reviewed)
Profit income on investment in Sukuk	7,274	5,925
Gain on sale of Sukuk	1	305
	<u>7,275</u>	<u>6,230</u>

## 17 IMPAIRMENT ALLOWANCE AND OTHER PROVISIONS, NET

	30 June 2023 BD'000 (Reviewed)	30 June 2022 BD'000 (Reviewed)
Financing assets (note 8.1)	2,040	3,265
Ijarah Muntahia Bittamleek (note 10.1)	261	1,915
Investments in Sukuk	20	(24)
Investments at fair value through equity	-	465
Investment in associates	877	495
Placements with financial institutions	(2)	3
Other assets	83	-
Commitments	(117)	(1,750)
<b>Impairment allowance, net</b>	<u>3,162</u>	<u>4,369</u>
Litigation claims	160	200
<b>Total impairment allowance and other provisions, net</b>	<u>3,322</u>	<u>4,569</u>

## 18 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:

	30 June 2023 BD'000 (Reviewed)	31 December 2022 BD'000 (Audited)
Letters of credit and acceptances	2,125	2,905
Guarantees	20,147	22,997
Credit Cards	40,330	39,170
Altamweel Almaren	23,946	33,594
Commitments to finance	10,992	16,140
	<u>97,540</u>	<u>114,806</u>

Impairment allowance of BD 1,465 thousand (2022: BD 1,582 thousand) has been provided on account of the credit risk on these for commitments and contingent liabilities.

**19 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, employees 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. The Group as part of the periodic assessment maintains adequate provisions. 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.

**20 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.

During the period, BD 1,901 thousand was paid to the Parent as profit declarations on AT1 securities.

The significant balances and transactions with related parties at 30 June 2023 were as follows:

	30 June 2023 (reviewed)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Assets</b>					
Cash and balances with banks and Central Bank	-	-	-	-	-
Placements with financial institutions	13,061	-	-	-	13,061
Financing assets	-	-	517	488	1,005
Ijarah Muntahia Bittamleek	-	-	225	229	454
Investment in associates	-	8,115	-	-	8,115
Other assets	3,728	-	-	393	4,121
<b>Liabilities and Equity of investment accountholders</b>					
Financing from financial institutions	74,704	-	-	-	74,704
Placements from non-financial institutions and individuals	-	-	3,057	527	3,584
Customers' current accounts	-	1,038	332	209	1,579
Other liabilities	4,908	-	248	-	5,156
Equity of investment accountholders	-	-	658	1,058	1,716
<b>Off Balance sheet</b>					
Profit rate swap - notional amount	115,060	-	-	-	115,060
	30 June 2023 (reviewed)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Income</b>					
Income from financing	-	-	11	16	27
Income from investment in Sukuk	912	-	-	-	912
Placements with financial institutions	402	-	-	-	402
Share of results of associates, net	-	159	-	-	159
Other income	(535)	-	-	-	(535)
Return on equity of investment accountholders	-	-	(3)	(23)	(26)
Expense on financing from financial institutions	(2,157)	-	-	-	(2,157)
<b>Expenses</b>					
Staff costs	-	-	-	(771)	(771)
Other expenses	-	-	(322)	-	(322)

## 20 RELATED PARTY TRANSACTIONS (continued)

	31 December 2022 (audited)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Assets</b>					
Cash and balances with banks and Central Bank	689	-	-	-	689
Placements with financial institutions	19,996	-	-	-	19,996
Financing assets	-	-	1,169	348	1,517
Ijarah Muntahia Bittamleek	-	-	207	191	398
Investment in associates	-	8,832	-	-	8,832
Other assets	2,826	-	-	243	3,069
<b>Liabilities and Equity of investment accountholders</b>					
Placements from non-financial institutions and individuals	-	-	1,458	10	1,468
Financing from financial institutions	110,113	-	-	-	110,113
Customers' current accounts	-	1,038	389	115	1,542
Other liabilities	3,308	-	346	-	3,654
Equity of investment accountholders	-	-	719	906	1,625
<b>Off Balance sheet</b>					
Profit rate swap - notional amount	97,134	-	-	-	97,134

	30 June 2022 (reviewed)				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Senior management BD'000	Total BD'000
<b>Income</b>					
Income from financing	-	-	62	8	70
Income from investment in Sukuk	(272)	-	-	-	(272)
Placements with financial institutions	111	-	-	-	111
Share of results of associates, net	-	(8)	-	-	(8)
<b>Return on equity of investment accountholders</b>					
Expense on financing from financial institutions	(253)	-	-	-	(253)
<b>Expenses</b>					
Staff costs	-	-	-	(909)	(909)
Other expenses	-	-	(336)	-	(336)

Compensation of the key management personnel is as follows:

	Six months ended 30 June	
	2023 BD'000	2022 BD'000
Short term employee benefits	704	814
Other long term benefits	67	95
	<b>771</b>	<b>909</b>

**21 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 20,487 thousand (31 December 2022: BD 20,517 thousand) are treated as Level 3 investments. During the period fair value movement of BD nil thousand (31 December 2022: BD 509 thousand) was charged to income statement and BD 30 thousand (31 December 2022: BD 41 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>BD'000</i>	<i>Level 2</i> <i>BD'000</i>	<i>Level 3</i> <i>BD'000</i>	<i>Total</i> <i>BD'000</i>
<b>30 June 2023</b>				
<b>Investment securities</b>				
Unquoted shares	-	-	20,051	20,051
Unquoted managed funds	-	-	436	436
Other assets	-	2,476	-	2,476
<b>Total</b>	<b>-</b>	<b>2,476</b>	<b>20,487</b>	<b>22,963</b>
<b>31 December 2022</b>				
<b>Investment securities</b>				
Unquoted shares	-	-	20,081	20,081
Unquoted managed funds	-	-	436	436
Other assets	-	2,071	-	2,071
<b>Total</b>	<b>-</b>	<b>2,071</b>	<b>20,517</b>	<b>22,588</b>

**Transfers between Level 1, Level 2 and Level 3**

During the six-months period ended 30 June 2023 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 22 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 six months ended 30 June 2023 (Reviewed)</i>			
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Total net income	2,763	12,109	7,960	22,832
Total expenses	(2,725)	(9,443)	(1,307)	(13,475)
Impairment allowance, net	(1,658)	(770)	(894)	(3,322)
<b>Profit / (loss) for the period</b>	<b>(1,620)</b>	<b>1,896</b>	<b>5,759</b>	<b>6,035</b>

## Other information

	<i>30 June 2023 (Reviewed)</i>			
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Segment assets	316,615	691,388	362,658	1,370,661
Segment liabilities, and equity	397,777	637,412	335,472	1,370,661

	<i>For the Six months ended 30 June 2022 (Reviewed)</i>			
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Total net income	6,260	14,337	5,357	25,954
Total expenses	(2,766)	(9,053)	(1,301)	(13,120)
Impairment allowance, net	(3,533)	(96)	(940)	(4,569)
<b>Profit / (loss) for the period</b>	<b>(39)</b>	<b>5,188</b>	<b>3,116</b>	<b>8,265</b>

## Other information

	<i>31 December 2022 (Audited)</i>			
	<i>Corporate</i>	<i>Retail</i>	<i>Investment</i>	<i>Total</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>
Segment assets	297,556	682,374	381,887	1,361,817
Segment liabilities, and equity	437,693	611,674	312,450	1,361,817

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

For the six months ended 30 June 2023

**23 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.

	Six months ended 30 June		Three months ended 30 June	
	2023 (Reviewed)	2022 (Reviewed)	2023 (Reviewed)	2022 (Reviewed)
Profit for the period attributable to the shareholders of the parent	6,035	8,265	3,032	3,302
Less: Profit distribution on AT 1 Capital	(1,901)	(1,901)	(1,901)	(1,901)
Profit for the period attributable to the shareholders of the parent for basic and diluted earnings per share computation	<u>4,134</u>	<u>6,364</u>	<u>1,131</u>	<u>1,401</u>
Weighted average number of shares outstanding during the period, net of treasury shares (thousand)	1,053,682	1,053,182	1,053,682	1,053,182
<b>Basic and diluted earnings per share (fils)</b>	<u><b>3.92</b></u>	<u><b>6.04</b></u>	<u><b>1.07</b></u>	<u><b>1.33</b></u>

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

**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 100%.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 24 NET STABLE FUNDING RATIO (continued)

The NSFR (as a percentage) as at 30 June 2023 is calculated as follows:

Item	No Specified maturity	Unweighted Values (before applying factors)			BD'000 Total Weighted Value
		Less than 6 months	More than 6 months and less than one year	Over one year	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>					
Regulatory Capital	152,533	-	-	15,569	168,102
Other Capital Instruments	-	-	-	-	-
<b>Retail Deposits and deposits from small business customers:</b>					
Stable Deposits	-	267,732	7,171	1,004	262,162
Less stable deposits	-	284,557	76,848	26,734	351,999
<b>Wholesale funding:</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	418,411	104,290	36	147,670
<b>Other liabilities:</b>					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	29,865	-	-	-
<b>Total ASF</b>	<b>152,533</b>	<b>1,000,565</b>	<b>188,309</b>	<b>43,343</b>	<b>929,933</b>
<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	222,339	-	84,203	-	50,700
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
<b>Performing financing and sukuk/ securities:</b>					
Performing financing to financial institutions secured by Level 1 HQLA					
	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions					
	-	51,344	789	10,595	18,692
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:					
	-	84,929	94,937	712,649	695,310
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines					
	-	-	-	-	-
<b>Performing residential mortgages, of which:</b>					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines					
	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities					
	-	-	-	-	-
<b>Other assets:</b>					
Physical traded commodities, including gold					
	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs					
	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	2,421	-	-	-	2,421
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted					
	-	-	-	-	-
All other assets not included in the above categories					
	112,905	-	-	7,641	120,546
OBS items	97,540	-	-	-	4,877
<b>Total RSF</b>	<b>435,205</b>	<b>136,273</b>	<b>179,929</b>	<b>730,885</b>	<b>892,546</b>
<b>NSFR (%)</b>					<b>104.2%</b>

## 24 NET STABLE FUNDING RATIO (continued)

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

Item	Unweighted Values (before applying factors)				Total Weighted Value
	No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>					
Regulatory Capital	151,585	-	-	18,006	169,591
Other Capital Instruments	-	-	-	-	-
<b>Retail Deposits and deposits from small business customers:</b>					
Stable Deposits	-	260,755	7,099	1,720	256,182
Less stable deposits	-	284,031	66,364	23,591	338,947
<b>Wholesale funding:</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	-	393,905	150,152	1,828	165,666
<b>Other liabilities:</b>					
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	19,193	-	-	-
<b>Total ASF</b>	<b>151,585</b>	<b>957,884</b>	<b>223,615</b>	<b>45,145</b>	<b>930,386</b>
<b>Required Stable Funding (RSF):</b>					
Total NSFR high-quality liquid assets (HQLA)	252,520	-	43,307	-	31,420
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
<b>Performing financing and sukuk/ securities:</b>					
<b>Performing financing to financial institutions secured by Level 1 HQLA</b>					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	79,515	4,668	10,733	24,994
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	85,042	74,501	712,759	683,972
- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
<b>Performing residential mortgages, of which:</b>					
- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
<b>Other assets:</b>					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	1,886	-	-	-	1,886
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	104,980	-	-	8,320	113,299
OBS items	114,804	-	-	-	5,740
<b>Total RSF</b>	<b>474,190</b>	<b>164,557</b>	<b>122,476</b>	<b>731,812</b>	<b>861,311</b>
<b>NSFR (%)</b>					<b>108.0%</b>