

Eskan Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2023 (reviewed)

Eskan Bank B.S.C. (c)

Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ESKAN B.S.C. (C)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Eskan Bank B.S.C. (c) (the "Bank") and its subsidiaries (collectively, the "Group") as at 30 June 2023, comprising the interim consolidated statement of financial position as at 30 June 2023 and the related interim consolidated statements of profit or loss and other comprehensive income for the three and six month periods then ended, the interim consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with 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 International Standards on Auditing. Consequently, it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2022, the interim condensed consolidated financial statements for the six month period ended 30 June 2022 and the interim condensed consolidated financial statements for the three month period ended 31 March 2023 ("Consolidated Financial Statements") were audited and reviewed respectively by another auditor who expressed an unmodified audit and review opinion dated 26 February 2023, 10 August 2022 and 9 May 2023 respectively on those Consolidated Financial Statements.



13 August 2023
Manama, Kingdom of Bahrain

Eskan Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

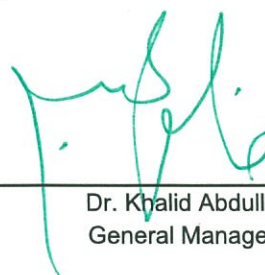
	Note	30 June 2023 (reviewed) BD	31 December 2022 (audited) BD
Assets			
Cash and bank balances	21	53,232,325	87,819,613
Investments		3,437,988	4,492,867
Loans	8	860,109,958	808,805,479
Investment in associate		4,019,762	4,120,148
Investment properties	9	64,302,732	61,523,172
Development properties	10	33,806,808	39,093,708
Other assets	11	2,683,022	2,703,258
Total assets		1,021,592,595	1,008,558,245
Liabilities and equity			
Liabilities			
Interbank borrowings		10,000,000	10,000,000
Customer current accounts		8,885,438	9,267,243
Government accounts	12	493,304,084	505,202,068
Term loans	13	75,000,000	75,000,000
Other liabilities	14	10,291,349	7,305,023
Total liabilities		597,480,871	606,774,334
Equity			
Share capital		108,300,000	108,300,000
Contribution by shareholder		41,483,830	36,914,617
Statutory reserve		54,461,896	54,461,896
Fair value reserve		(108,135)	(108,135)
Retained earnings		219,974,133	202,215,533
Total equity		424,111,724	401,783,911
Total liabilities and equity		1,021,592,595	1,008,558,245



H.E. Mrs. Amna Bint Ahmed Al Romaihi
Housing & Urban Planning Minister
Chairperson of Eskan Bank



Isa Abdulla Zainal
Director



Dr. Khalid Abdulla
General Manager

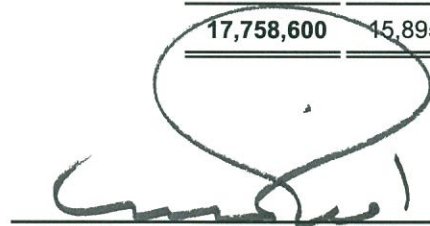
The accompanying notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

Eskan Bank B.S.C. (c)

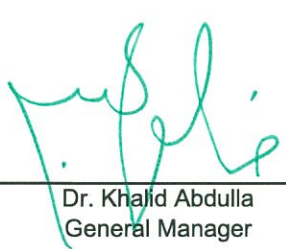
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Six months ended 30 June		Three months ended 30 June	
		2023	2022	2023	2022
		(reviewed) BD	(reviewed) BD	(reviewed) BD	(reviewed) BD
Interest income	15	19,050,409	18,358,626	9,390,874	9,255,358
Interest expense	17	(126,478)	(46,833)	(72,141)	(26,474)
Net interest income		18,923,931	18,311,793	9,318,733	9,228,884
Income from properties	16	2,585,669	982,102	2,086,395	735,165
Share of profit from investment in associate		144,797	115,433	80,523	56,907
Other income		487,470	399,518	325,521	230,591
Total operating income		22,141,867	19,808,846	11,811,172	10,251,547
Staff costs		(2,966,917)	(2,612,722)	(1,434,071)	(1,260,962)
Other expenses	18	(1,448,266)	(1,136,191)	(774,790)	(538,081)
Total operating expenses		(4,415,183)	(3,748,913)	(2,208,861)	(1,799,043)
Profit before release of provision for impairment loss, net		17,726,684	16,059,933	9,602,311	8,452,504
Release / (charge) of provision for impairment loss, net	22	31,916	(164,932)	(4,411)	(211,236)
Profit and total comprehensive income for the period		17,758,600	15,895,001	9,597,900	8,241,268
Profit and total comprehensive income attributable to:					
Equity shareholder of the parent		17,758,600	15,505,514	9,597,900	7,914,472
Non-controlling interest		-	389,487	-	326,796
		17,758,600	15,895,001	9,597,900	8,241,268


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The accompanying notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

Eskan Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	<i>Equity attributable to Bank's shareholder</i>						<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Contribution by shareholder</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Retained earnings</i>	<i>Total</i>		
2023 (reviewed)	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
As at 1 January 2023	108,300,000	36,914,617	54,461,896	(108,135)	202,215,533	401,783,911	-	401,783,911
Total comprehensive income for the period	-	-	-	-	17,758,600	17,758,600	-	17,758,600
Transfer of land (note 9)	-	4,569,213	-	-	-	4,569,213	-	4,569,213
As at 30 June 2023	108,300,000	41,483,830	54,461,896	(108,135)	219,974,133	424,111,724	-	424,111,724
2022 (reviewed)								
As at 1 January 2022	108,300,000	22,449,597	54,461,896	(572,167)	171,021,678	355,661,004	9,274,488	364,935,492
Total comprehensive income for the period	-	-	-	-	15,505,514	15,505,514	389,487	15,895,001
Transfer of land (note 9)	-	11,000	-	-	-	11,000	-	11,000
As at 30 June 2022	108,300,000	22,460,597	54,461,896	(572,167)	186,527,192	371,177,518	9,663,975	380,841,493

The accompanying notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

Eskan Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Note	30 June 2023 (reviewed) BD	30 June 2022 (reviewed) BD
Operating activities			
Profit for the period		17,758,600	15,895,001
Adjustments for:			
Share of profit from investment in associate		(144,797)	(115,433)
Release of provision for impairment loss, net	22	(31,916)	164,932
Gain on sale of development properties	16	(2,262,666)	(481,193)
Depreciation and amortization	18	297,068	292,084
Operating profit before working capital changes		15,616,289	15,755,391
(Disbursement of) / collection from loans, net		(29,340,491)	13,658,542
Decrease / (increase) in development properties		9,190,401	(13,179,506)
Decrease / (increase) in other assets		141,598	(201,054)
(Decrease) / increase in customer current account		(381,805)	344,926
(Increase)/ decrease in restricted bank balance		(448,500)	181,876
Increase / (decrease) in other liabilities		2,986,327	(1,445,695)
Net movement in government account		(29,778,401)	3,053,141
Net cash (used in) / generated from operating activities		(32,014,582)	18,167,621
Investing activities			
Maturity of placement with financial institution with original maturity of more than 90 days		10,000,000	2,948,803
Purchase of equipment		(118,300)	(46,755)
Maturity of debt securities / (investment in debt securities)		1,054,879	(6,580,701)
Additional investment in associate		(41,981)	(5,405)
Dividend received on investment in associate		128,675	187,971
Net cash generated from / (used in) investing activities		11,023,273	(3,496,087)
Financing activity			
Payment to and on behalf of government, net	12 (m,n)	(4,048,358)	(2,717,678)
Net cash used in financing activity		(4,048,358)	(2,717,678)
Net (decrease) / increase in cash and cash equivalents		(25,039,666)	11,953,856
Cash and cash equivalents at 1 January		77,797,991	80,076,041
Cash and cash equivalents at 30 June*	21	52,758,325	92,029,897

*The balances at 30 June 2023 and 30 June 2022 are gross of expected credit loss of nil and BD 1,952 respectively.

The accompanying notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

1 REPORTING ENTITY

Incorporation

Eskan Bank B.S.C. (c) (the "Bank") is a closed joint stock company registered and incorporated by Amiri Decree No. 4 of 1979. The Bank operates under a restricted commercial banking license issued by the Central Bank of Bahrain (the "CBB"). The shares are fully owned by the Government of Bahrain in accordance with the Articles of Association.

Activities

The Bank's principal activities include granting housing loans to Bahrain nationals as directed by the Ministry of Housing ("MOHUP"), developing / construction projects within the Kingdom of Bahrain. Further, the Bank also acts as an administrator for the MOHUP in respect of housing facilities and certain property related activities. As an administrator, it enters into various transactions in the ordinary course of business related to housing loans, rents and mortgage repayments and property administration. The Bank receives funds from the Ministry of Finance ("MOFNE") based on annual budgetary allocations for housing loans. The Bank also records certain transactions based on instructions from the MOHUP and the MOFNE and decisions taken by the Government of the Kingdom of Bahrain.

The interim condensed consolidated financial statements include results of the Bank and its subsidiaries (together the "Group") and these were approved by the Board of Directors on 13 August 2023.

The following are the principal subsidiaries of the Group that are consolidated:

Subsidiaries	Ownership*	Year of incorporation	Country of incorporation
Eskan Properties Company B.S.C.(c) ('EPC') The principal activity of the Company is to develop and manage projects for development of properties on behalf of Eskan Bank B.S.C (c) (the "Parent"), MOHUP and third parties, and facility management to MOHUP.	100%	2007	Kingdom of Bahrain
Dannat Al Luzi B.S.C Closed Development and sale of private property in Danat Al Luzi.	100%	2014	Kingdom of Bahrain

* The ownership percentage remained the same as at 31 December 2022.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB"). These rules and regulations require the adoption of all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The above framework for basis of preparation of the interim condensed consolidated financial statements is hereinafter referred to as 'IFRS'.

The interim condensed consolidated financial statements are reviewed, and not audited. The interim condensed consolidated financial statements of the Group have been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting', using the IFRS. Therefore, these interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 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. In addition, results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending on 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied by the Group in the preparation of the interim condensed consolidated financial statements are the same as those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2022 (refer note 2).

4 FINANCIAL RISK MANAGEMENT

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

5 JUDGMENT AND ESTIMATES

Preparation of the interim condensed consolidated financial statements 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.

6 COMPARATIVES

The comparatives for the interim 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 interim consolidated statements of profit or loss and other comprehensive income, changes in equity, cash flows have been extracted from the Group's reviewed interim condensed consolidated financial statements for the six months ended 30 June 2022. Certain comparative figures have been regrouped, where necessary, in order to conform to the current period's presentation. Such regrouping did not affect the previously reported profit, comprehensive income for the period or total equity.

7 SEASONALITY

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

8 LOANS

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
(i) Social loans		
Gross Loans	1,170,416,823	1,135,457,650
Less: subsidy and waiver (note 12 (h))	(265,099,499)	(262,108,218)
	905,317,324	873,349,432
Less: expected credit loss (note 12 (i))	(48,916,000)	(68,496,607)
	856,401,324	804,852,825
(ii) Commercial loans		
Gross loans	4,304,692	4,583,925
Less: expected credit loss	(596,058)	(631,271)
	3,708,634	3,952,654
Total loans	860,109,958	808,805,479

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

8 LOANS (continued)

(iii) Following table shows the stage wise exposures to social and commercial loans and movement in ECL:

30 June 2023 (reviewed):

(a) Social loans:

	<i>Stage 1 BD</i>	<i>Stage 2 BD</i>	<i>Stage 3 BD</i>	<i>Total BD</i>
Exposure subject to ECL (net of subsidy and waivers)	840,129,370	14,188,059	50,999,895	905,317,324
Expected credit loss				
At 1 January	8,077,825	24,498,174	35,920,608	68,496,607
Net transfer between stages	26,614,497	(20,233,309)	(6,381,188)	-
Write off during the period (Release) / charge for the period (note 22)	(8,771)	(87,012)	(1,543,010)	(1,638,793)
	(23,182,549)	2,619,029	2,621,706	(17,941,814)
At 30 June	11,501,002	6,796,882	30,618,116	48,916,000
Net carrying value	828,628,368	7,391,177	20,381,779	856,401,324

(b) Commercial loans:

	<i>Stage 1 BD</i>	<i>Stage 2 BD</i>	<i>Stage 3 BD</i>	<i>Total BD</i>
Exposure subject to ECL	3,467,501	208,328	628,863	4,304,692
Expected credit loss				
At 1 January	43,726	69,803	517,742	631,271
Net transfer between stages	33,541	22,800	(56,341)	-
Write off during the period (Release) / charge for the period (note 22)	(37,370)	(8,408)	23,234	(12,669)
	(37,370)	(8,408)	23,234	(22,544)
At 30 June	39,897	84,195	471,966	596,058
Net carrying value	3,427,604	124,133	156,897	3,708,634
Total net carrying value	832,055,972	7,515,310	20,538,676	860,109,958

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

8 LOANS (continued)

31 December 2022 (audited):

(a) Social loans:

	<i>Stage 1</i> <i>BD</i>	<i>Stage 2</i> <i>BD</i>	<i>Stage 3</i> <i>BD</i>	<i>Total</i> <i>BD</i>
Exposure subject to ECL (net of subsidy and waivers)	738,732,850	76,508,648	58,107,934	873,349,432
Expected credit loss				
At 1 January	9,775,331	20,429,371	52,883,072	83,087,774
Net transfer between stages	31,975,943	(2,025,581)	(29,950,362)	-
Write off during the year	(20,935)	(83,577)	(890,032)	(994,543)
(Release) / charge for the year	(33,652,514)	6,177,961	13,877,930	(13,596,624)
At 31 December	8,077,825	24,498,174	35,920,608	68,496,607
Net carrying value	730,655,025	52,010,474	22,187,326	804,852,825

(b) Commercial loans:

	<i>Stage 1</i> <i>BD</i>	<i>Stage 2</i> <i>BD</i>	<i>Stage 3</i> <i>BD</i>	<i>Total</i> <i>BD</i>
Exposure subject to ECL	3,700,918	197,841	685,166	4,583,925
Expected credit loss				
At 1 January	43,572	86,708	2,606,610	2,736,890
Net transfer between	146,634	(16,920)	(129,714)	-
Write off during the year	-	-	(1,834,154)	(1,834,154)
(Release) / charge for the year	(146,480)	15	(125,000)	(271,465)
At 31 December	43,726	69,803	517,742	631,271
Net carrying value	3,657,192	128,038	167,424	3,952,654
Total net carrying value	734,312,217	52,138,512	22,354,750	808,805,479

9 INVESTMENT PROPERTIES

	30 June 2023 (reviewed) BD	<i>31 December</i> <i>2022</i> <i>(audited)</i> <i>BD</i>
Balance at 1 January	61,523,172	59,474,310
Transferred from development properties (note 10)	109,094	1,297,743
Transferred to development properties* (note 10)	(1,789,925)	-
Transfer of land from the shareholder	4,569,213	1,478,300
Sale of lands	-	(687,000)
Impairment loss on land	(38,966)	(651,512)
Additions during the period/ year	33,424	809,480
Depreciation charge for the period / year	(103,280)	(198,149)
Balance at end of period / year	64,302,732	61,523,172

* net of impairment loss of BD 243,251.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

10 DEVELOPMENT PROPERTIES

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Balance at 1 January	39,093,708	13,779,453
Additions during the period / year	764,045	18,913,158
Transfer of land from the shareholder	-	12,986,720
Properties sold during the period / year	(7,725,204)	(5,287,880)
Impairment loss	(6,572)	-
Transferred to investment properties (note 9)	(109,094)	(1,297,743)
Transferred from investment properties* (note 9)	1,789,925	-
Balance at end of the period / year	33,806,808	39,093,708

* net of impairment loss of BD 243,251.

Development properties comprise the following:

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Projects for lease	2,367,969	585,474
Projects for sale	31,438,839	38,508,234
	33,806,808	39,093,708

11 OTHER ASSETS

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Receivable from Ministry of Housing	1,100	-
Advance for acquisition of development properties (note 11 (a))	67,500	67,500
Right-of-use assets	286,106	381,475
Equipment and intangibles (net book value)	691,151	671,271
Interest receivable	572,530	728,431
Staff loans	349,111	310,102
Balance with investment manager	242,362	162,706
Prepayments and advances	219,594	164,302
Other receivables	253,568	217,471
	2,683,022	2,703,258

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

11 OTHER ASSETS (continued)

Note 11 (a)

Represents advance to purchase development properties. The transaction will be classified as part of development properties upon handover of the properties and transfer of title deed.

12 GOVERNMENT ACCOUNT

The Group's transactions with the MOHUP and MOFNE are recorded in a single account "Government Account" and are non-interest bearing.

	<i>Note</i>	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Opening Balance		505,202,068	469,184,838
Movement during the period / year:			
Waiver reimbursements	(a)	4,000,000	4,000,000
Collection from MOHUP rental flats	(b)	177,439	556,658
Reduction and write off decrees	(c & d)	(6,814,312)	(14,475,213)
Mazaya and Tas'heel subsidy – net impact	(e)	(2,020,329)	2,299,564
Payment to Government	(f)	-	(10,000,000)
MOHUP houses and flats	(g)	5,339,449	43,863,466
Waivers and subsidy	(h)	(14,746,165)	(23,540,949)
Release of expected credit loss for social loans	(i)	17,941,814	13,596,624
Charge-off / (back), net – social loans	(j)	1,471,958	24,501,443
(Repayment of) / advance from proceeds on sale of Deerat Al Oyoum units	(k)	(3,324,480)	2,821,967
Payment to Sharaka for Housing Projects	(l)	(9,875,000)	-
Finance cost relating to syndicated term loan	(m)	(3,483,939)	(4,831,412)
Others	(n)	(564,419)	(2,774,918)
Ending balance		493,304,084	505,202,068

- a) Annual reimbursement received for 2006 waiver decree.
- b) Collection of rental installments from beneficiaries of MOHUP rental flats.
- c) Installment reduction decrees issued by the MOHUP from time to time.
- d) Write offs and waivers approved by MOHUP on a case by case basis.
- e) Reimbursement net of monthly Mazaya subsidy paid to beneficiaries based on MOHUP approved list.
- f) Represents payments to Ministry of Finance vide Board of Directors of the Bank approval dated 9 December 2021.
- g) In line with the agreement signed with MOHUP dated 23 December 2017, receivables from MOHUP housing units (houses and flats) allocated to beneficiaries have been booked on-balance sheet with corresponding impact to government account with effect from 1 April 2017.
- h) In line with the agreement with MOHUP signed on 23 December 2017, the impact of wavier 2006 decree and wavier 2011 decree and 1977 military subsidy on principal portion of the installment have been charged against loans and corresponding amount is reduced from the government account with effect from 31 December 2017 and related interest portion of the installment is charged to government account on each installment date.
- i) In line with the agreement signed with MOHUP on 23 December 2017, the expected credit loss on social loans portfolio is borne by the Government with effect from 1 January 2018. Reduction in provision on social loans under IFRS 9, if any is charged back to the government account.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

12 GOVERNMENT ACCOUNT (continued)

- j) This is a specific charge off related to troubled social loans with minimal chances of recovery. The movement in the account represents the new social loans charged off, net of recoveries and write backs (if any) during the period / year. This charge-off does not entail closure of beneficiary account and all the applicable remedial procedures will continue to be apply.
- k) Advance from customers from sale of Deerat Al Oyoum units net of expenses incurred for the sale of units and repayments.
- l) During 2023 the Group made payment of BD 9.9 million on behalf of MOHUP towards their commitment to Sharaka for acquisition of a housing project by MOHUP consisting of 155 social housing units located in Madinat Salman.
- m) In line with agreement signed with MOHUP on 23 December 2017, all finance cost (i.e. interest expense / profit and other finance fees on the syndicated bank term loan) relating to social housing project shall be borned and charged to the government account (refer note 17 and 13).
- n) Includes other payments, reimbursements on expenses / transactions undertaken by the Bank on behalf of MOFNE / MOHUP.

13 TERM LOANS

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Non - current portion of term loan	75,000,000	75,000,000
	75,000,000	75,000,000

In May 2020, the Group signed a syndicated Murabaha Facility for financing the social loans and housing projects. It comprises of BD 75 million term Murabaha Facility and BD 75 million revolving Murabaha facility, out of which term Murabaha Facility of BD 75 million was utilized as of 30 June 2023 (31 December 2022: BD 75 million). Both the term and revolving Murabaha Facilities are repayable as a bullet repayment on 17 May 2027. These facilities bear profit payable at BHIBOR plus a margin of 2.75% for the first 60 months then after that at 3% till the final maturity date. Profit on syndicated term loan is borne by the Government as per agreement signed with Ministry of Housing dated 23 December 2017 and charged to government account (refer note 12 m).

14 OTHER LIABILITIES

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Advances from customers	3,847,227	1,107,873
Contractor retentions	78,990	98,184
Employee savings scheme	1,749,583	1,586,168
Accrued expenses	820,604	1,510,233
Lease liabilities (note 14.1)	339,051	430,753
Accounts payable	98,609	145,956
Staff related accruals	668,996	572,056
Accrued interest payable	1,541,752	1,352,936
Others (note 14.2)	1,146,537	500,864
	10,291,349	7,305,023

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For the six months ended 30 June 2023.

14 OTHER LIABILITIES (continued)

14.1 LEASE LIABILITIES

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Maturity analysis – contractual undiscounted cash flow		
Less than one year	239,367	226,347
More than one year	113,173	226,347
Total undiscounted lease liabilities at end of period / year	352,540	452,694
Total discounted lease liabilities at end of period / year	339,051	430,753

14.2 Includes proceeds from sale of one project on behalf of third party of BD 474,000 (31 Dec 2022: 25,500).

15 INTEREST INCOME

	<i>six months ended</i>	
	30 June 2023 (reviewed) BD	<i>30 June 2022 (reviewed) BD</i>
Interest income on social loans	16,754,017	17,372,228
Interest income on commercial loans	254,557	231,989
Interest income on placements with financial institutions	2,024,312	684,533
Interest income on debt securities	17,523	69,876
	19,050,409	18,358,626

16 INCOME FROM PROPERTIES

	<i>six months ended</i>	
	30 June 2023 (reviewed) BD	<i>30 June 2022 (reviewed) BD</i>
Revenue from sale of development properties	9,987,870	2,062,000
Cost of development properties sold	(7,725,204)	(1,580,807)
Gain on sale of development properties (note 16.1)	2,262,666	481,193
Gain on sale of land	-	229,000
Rental income	323,003	271,909
	2,585,669	982,102

Note 16.1

During the period, the Group has recorded gain on sale of development properties upon satisfaction of the performance obligations i.e. complete construction and hand over of the properties to the customers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

17 INTEREST EXPENSE

	<i>six months ended</i>	
	30 June 2023 (reviewed)	30 June 2022 (reviewed)
Interest expense on term loans	3,483,939	1,973,861
Interest expense on interbank borrowing	70,807	10,364
Interest expense on leased agreements	9,332	14,616
Other interest and similar expense	46,339	21,853
	3,610,417	2,020,694
Reimbursement from Government (note 12 (m))	(3,483,939)	(1,973,861)
	126,478	46,833

18 OTHER EXPENSES

	<i>six months ended</i>	
	30 June 2023 (reviewed) BD	30 June 2022 (reviewed) BD
Depreciation and amortization	297,068	292,084
Legal and professional	168,901	117,879
Information technology	224,824	176,665
Marketing cost	147,805	83,990
Property management	120,977	108,987
Investment management cost	141,961	100,208
Transportation and communication	47,035	46,389
Premises	43,947	51,481
Directors' and Shari'ah board remuneration	41,175	37,740
Electricity	23,531	17,681
Insurance	12,068	8,389
Others	178,974	94,698
	1,448,266	1,136,191

19 RELATED PARTY TRANSACTIONS

Related parties represent shareholder, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by the Bank and such parties. Pricing policies and terms of the transactions relating to these related parties are approved by board of directors and shareholder representative. The amounts due to and from related parties are settled in the normal course of business.

The Group's transactions with related parties comprise transactions with the shareholder represented by (the MOFNE and the MOHUP) and transactions with subsidiaries, associates, key management personnel and board of directors, in the ordinary course of business. Balances and transactions with Government and investments in associates are disclosed on the face of the condensed consolidated statement of financial position and consolidated statement profit or loss and other comprehensive income and the notes therein.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel of the Group comprise the General Manager, Chief Business Officer, Head of Finance, Head of Risk and executive management of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

19 RELATED PARTY TRANSACTIONS (continued)

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

	<i>as at 30 June 2023 (reviewed)</i>			
	<i>Shareholder</i>	<i>Associate</i>	<i>Directors</i>	<i>Key management</i>
Assets				
Loans	-	-	20,826	23,580
Investments in associate	-	4,019,762	-	-
Other assets	1,100	-	-	50,850
Liabilities				
Current accounts	-	-	95	2,174
Government account*	493,304,084	-	-	-
Other liabilities	-	-	14,284	422,862

*Include modification loss arising from social loan portfolio charged in 2020 of BD 15.1 million and a release of expected credit loss on social loan portfolio for the period of BD 17.9 million (2022: BD 13.6 million) (refer note 12 (i)).

	<i>six months ended 30 June 2023 (reviewed)</i>			
	<i>Shareholder</i>	<i>Associate</i>	<i>Directors</i>	<i>Key management</i>
Net share of profit from investment in associate	-	144,797	-	-
Fees and commission	188,124	7,500	-	-
Staff cost	-	-	-	593,120
Other expense	-	141,961	-	-
Impairment provision	-	16,527	-	-
Directors' and Shari'ah board remuneration and sitting fees	-	-	41,175	-

	<i>as at 31 December 2022 (audited)</i>			
	<i>Shareholder</i>	<i>Associate</i>	<i>Directors</i>	<i>Key management</i>
Assets				
Loans	-	-	21,647	25,272
Investments in associate	-	4,120,148	-	-
Other assets	-	5,500	-	49,200
Liabilities				
Current accounts	-	-	95	3,031
Government account	505,202,068	-	-	-
Other liabilities	-	-	42,784	336,951

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For the six months ended 30 June 2023.

19 RELATED PARTY TRANSACTIONS (continued)

	<i>six months ended 30 June 2022 (reviewed)</i>			
	<i>Shareholder</i>	<i>Associate</i>	<i>Directors</i>	<i>Key management</i>
Net share of profit from investment in associate	-	115,433	-	-
Fees and commission	104,400	7,500	-	-
Staff cost	-	-	-	549,155
Other expense	-	100,208	-	-
Impairment provision	-	130,607	-	-
Directors' and Shari'ah board remuneration and sitting fees	-	-	37,740	-

20 COMMITMENTS

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Social loan commitments approved by MOHUP (note 20.1)	46,361,219	47,066,411
Commitments - development properties	12,487,274	11,976,261
	58,848,493	59,042,672

Note 20.1

Each year, MOHUP issues social loan decrees for the approved beneficiaries in coordination with the Bank. Social loans that remain undisbursed at the end of the year are disclosed as a commitment.

21 CASH AND BANK BALANCES

	30 June 2023 (reviewed) BD	<i>31 December 2022 (audited) BD</i>
Cash in hand	213,869	144,736
Balances with banks	451,426	1,209,194
Balances with the CBB	3,567,030	1,469,561
Placements with banks and other institutions	-	10,000,000
Placements with the CBB (with an original maturity of 90 days or less)	49,000,000	75,000,000
	53,232,325	87,823,491
Less: impairment loss - ECL	-	(3,878)
Total cash and bank balances	53,232,325	87,819,613
Less: Restricted bank balance (note 14.2)	(474,000)	(25,500)
Less: Placements (with an original maturity of more than 90 days)	-	(9,996,122)
Total cash and cash equivalents	52,758,325	77,797,991

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023.

21 CASH AND BANK BALANCES (continued)

The Group's consolidated net stable funding ratio (NSFR) as of 30 June 2023 is 140%, while the average LCR for the first quarter of the year stood at 397% (refer note 24 for more details on NSFR). The Group continues to meet minimum required regulatory liquidity ratios. The Group's capital adequacy ratio ("CAR") stood at 172% as of 30 June 2023, which is above minimum required CAR of 12.5%.

22 RELEASE OF PROVISION FOR IMPAIRMENT LOSS, NET

	<i>six months ended</i>	
	30 June 2023 (reviewed) BD	<i>30 June 2022 (reviewed) BD</i>
Release for the period - Social loans	17,941,814	359,795
Release for the period - Commercial loans	94,271	98,822
Charge for the period - Investments properties	(38,966)	(193,917)
Charge for the period - Development properties	(6,572)	-
(Charge) / release for the period - Other receivables	(4,168)	48,761
Charge for the period - Investment in associate	(16,527)	(130,607)
Release for the period - Bank balances	3,878	12,009
	17,973,730	194,863
Release back to government for ECL on social loan (Note 12 (i))	(17,941,814)	(359,795)
	31,916	(164,932)

23 FINANCIAL INSTRUMENTS***Fair value of financial instruments***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

The Group's investment properties are categorised in level 3 of the fair value hierarchy as at 30 June 2023 and 31 December 2022. No transfers were made between the levels during the period ended 30 June 2023 and the year ended 31 December 2022.

24 NET STABLE FUNDING RATIO

The CBB's Net Stable Funding Ratio (NSFR) regulations became effective on 31st December 2019. The objective of the NSFR is to promote the resilience of banks' liquidity risk profile and to incentivise a more resilient banking sector over a longer time horizon. The NSFR requires banks to maintain a stable funding profile in relation to assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood of disruptions to a bank's regular sources of funding that 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 over-reliance 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. The minimum NSFR ratio is 100%.

The below table provides information on the bank's consolidated NSFR as of 30 June 2023:

	<i>Unweighted Values (before applying factors)</i>				<i>Total Weighted Value</i>
	<i>No Specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one year</i>	<i>Over one year</i>	
Available Stable Funding (ASF)					
Capital:					
Common equity tier 1	419,782,419	-	-	-	419,782,419
Additional tier 1 capital	-	-	-	-	-
Tier 2 Capital	-	-	-	2,208,272	2,208,272
Stable Deposits	-	-	-	-	-
Less stable deposits:					
Demand deposits provided by retail customers	-	8,686,265	-	-	7,817,639
Demand deposits provided by small business customers	-	585,462	-	-	526,915
Other deposits and funding from:					
Financial Institutions	-	10,000,000	-	75,000,000	75,000,000
Other liabilities (not included in the categories above):					
Other liabilities and equity not included in the above categories	-	38,867,659	-	469,581,575	469,581,575
Total ASF	419,782,419	72,609,550	-	546,789,847	974,916,820
Required Stable Funding (RSF)					
Coins and banknotes	213,870	-	-	-	-
All claims on central banks	-	52,567,030	-	-	-
Marketable securities:					
Central Bank of Bahrain	559,573	-	-	-	27,979
Loans:					
Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs	-	18,018,331	18,574,057	-	18,296,194
Unencumbered residential mortgages with a risk weight of less than or equal to 35%	-	-	-	822,040,943	534,326,613
Other unencumbered loans and deposits with a risk weight of less than or equal to 35%	-	-	-	-	-
Other unencumbered performing loans and not included in the above categories, excluding loans to financial institutions, with a risk weight of than or equal to 35%	-	-	-	3,348,429	2,846,165
Unencumbered loans to and deposits with financial institutions	-	350,286	-	-	52,543
Unlisted investments not included in the above categories	-	-	-	-	-
Investment in Subsidiaries	18,868,503	-	-	-	18,868,503
Investment in Associates	4,019,762	-	-	-	4,019,762
Other unlisted investments	2,878,415	-	-	-	2,878,415
Non-performing loans	16,550,171	-	-	-	16,550,171
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.	97,406,155	-	-	-	97,406,155
All other off-balance sheet exposures not included above	58,675,156	-	-	-	2,933,758
Total RSF	199,171,605	70,935,647	18,574,057	825,389,372	698,206,258
NSFR (%) as at 30 June 2023					140%

24 NET STABLE FUNDING RATIO (continued)

The below table provides information on the bank's consolidated NSFR as of 31 December 2022:

	<i>Unweighted Values (before applying factors)</i>				<i>Total Weighted Value</i>
	<i>No Specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one year</i>	<i>Over one year</i>	
Available Stable Funding (ASF)					
Capital:					
Common equity tier 1	398,059,968	-	-	-	398,059,968
Additional tier 1 capital	-	-	-	-	-
Tier 2 Capital	-	-	-	2,132,210	2,132,210
Stable Deposits	-	-	-	-	-
Less stable deposits:					
Demand deposits provided by retail customers	-	9,101,486	-	-	8,191,338
Demand deposits provided by small business customers	-	552,040	-	-	496,836
Other deposits and funding from:					
Financial Institutions	-	10,000,000	-	75,000,000	75,000,000
Other liabilities (not included in the categories above):					
Other liabilities and equity not included in the above categories	-	18,584,069	20,000,000	478,487,529	478,487,527
Total ASF	398,059,968	40,537,595	20,000,000	555,619,739	962,367,879
Required Stable Funding (RSF)					
Coins and banknotes	144,736	-	-	-	-
All claims on central banks	-	76,469,561	-	-	-
Marketable securities:					
Central Bank of Bahrain	1,614,452	-	-	-	80,723
Loans:					
Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs	-	17,274,808	17,645,936	-	17,460,372
Unencumbered residential mortgages with a risk weight of less than or equal to 35%	-	-	-	787,478,488	511,861,017
Other unencumbered performing loans and not included in the above categories, excluding loans to financial institutions, with a risk weight of than or equal to 35%	-	-	-	3,566,187	3,031,259
Unencumbered loans to and deposits with financial institutions	-	111,936	-	-	16,790
Investment in Subsidiaries	18,868,503	-	-	-	18,868,503
Investment in Associates	4,120,147	-	-	-	4,120,147
Other unlisted investments	2,878,415	-	-	-	2,878,415
Listed investments not included in the above categories					
Non-performing loans	15,529,584	-	-	-	15,529,584
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.	99,071,869	-	-	-	99,071,869
All other off-balance sheet exposures not included above	58,857,817	-	-	-	2,942,891
Total RSF	201,085,523	93,856,305	17,645,936	791,044,675	675,861,570
NSFR (%) as at 31 December 2022					142%