

Eskan Bank B.S.C (c)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

31 March 2023

Commercial registration	: 58750 (Registered with Central Bank of Bahrain)
Registered Office	: 1st Floor Al Moayyed tower Seef area, Kingdom of Bahrain
Board of directors	: H.E. Mrs. Amna Bint Ahmed Al Rumaihi, Chairperson Mohammed Bucheeri Najja Al Shirawi Reem Abdulghaffar Al Alawi Abdullatif Khalid Abdullatif Balsam Ali Alsalman Mubarak Nabeel Mattar Isa Abdulla Zainal Nabeel Saleh Ali Ebrahim Abdulaal
Auditors	:KPMG Fakhro

**Condensed consolidated interim financial information
for the three months ended 31 March 2023**

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

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

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

To the Board of Directors

Eskan Bank B.S.C. (c)
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2023 condensed consolidated interim financial information of Eskan Bank B.S.C. (c) (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2023;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 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 IAS 34, '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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

9 May 2023

Eskan Bank B.S.C. (c)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

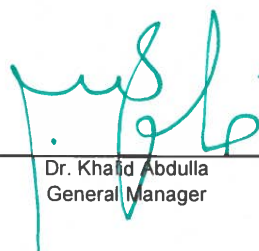
	Note	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Assets			
Cash and bank balances	21	78,712,297	87,819,613
Investments		3,487,334	4,492,867
Loans	8	825,595,054	808,805,479
Investment in associate		3,927,900	4,120,148
Investment properties	9	62,349,313	61,523,172
Development properties	10	37,566,308	39,093,708
Other assets	11	2,842,826	2,703,258
Total assets		1,014,481,032	1,008,558,245
Liabilities and equity			
Liabilities			
Interbank borrowings		10,000,000	10,000,000
Customer current accounts		8,303,183	9,267,243
Government accounts	12	497,593,756	505,202,068
Term loans	13	75,000,000	75,000,000
Other liabilities	14	12,764,482	7,305,023
Total liabilities		603,661,421	606,774,334
Equity			
Share capital		108,300,000	108,300,000
Contribution by shareholder		37,789,617	36,914,617
Statutory reserve		54,461,896	54,461,896
Fair value reserve		(108,135)	(108,135)
Retained earnings		210,376,233	202,215,533
Total equity (page 4)		410,819,611	401,783,911
Total liabilities and equity		1,014,481,032	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 information.

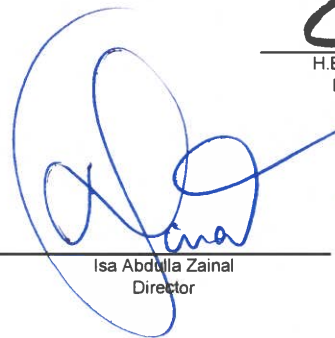


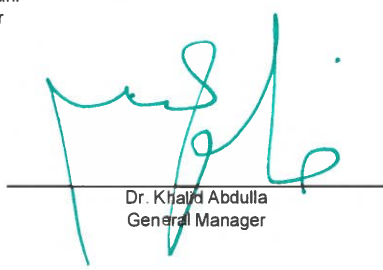
Eskan Bank B.S.C. (c)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months ended 31 March 2023

	Note	Three months ended	
		31 March	
		2023 (reviewed) BD	2022 (reviewed) BD
Interest income	15	9,659,535	9,103,268
Interest expense	17	(54,337)	(20,359)
Net interest income		9,605,198	9,082,909
Income from properties	16	499,274	246,937
Share of profit from investment in associate		64,274	58,526
Other income		161,949	168,927
Total operating income		10,330,695	9,557,299
Staff costs		(1,532,846)	(1,351,760)
Other expenses	18	(673,476)	(598,110)
Total operating expenses		(2,206,322)	(1,949,870)
Profit before release of provision for impairment loss, net		8,124,373	7,607,429
Release of provision for impairment loss, net	22	36,327	46,304
Profit for the period		8,160,700	7,653,733
Other comprehensive income		-	-
Total comprehensive income for the period		8,160,700	7,653,733
Profit and total comprehensive income attributable to:			
Equity shareholder of the parent		8,160,700	7,591,042
Non-controlling interest		-	62,691
		8,160,700	7,653,733


 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 information.



Eskan Bank B.S.C. (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Equity attributable to Bank's shareholder							Non-controlling interest BD	Total equity BD
	Share capital BD	Contribution by shareholder BD	Statutory reserve BD	Fair value reserve BD	Retained earnings BD	Total BD			
2023 (reviewed)									
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 (page 3)	-	-	-	-	8,160,700	8,160,700	-	8,160,700	
Transfer of land (note 9)	-	875,000	-	-	-	875,000	-	875,000	
As at 31 March 2023	108,300,000	37,789,617	54,461,896	(108,135)	210,376,233	410,819,611	-	410,819,611	
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 (page 3)	-	-	-	-	7,591,042	7,591,042	62,691	7,653,733	
As at 31 March 2022	108,300,000	22,449,597	54,461,896	(572,167)	178,612,720	363,252,046	9,337,179	372,589,225	

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

Eskan Bank B.S.C. (c)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2023

	Note	31 March 2023 (reviewed) BD	31 March 2022 (reviewed) BD
Operating activities			
Profit for the period		8,160,700	7,653,733
Adjustments for:			
Share of profit from investment in associate		(64,274)	(58,526)
Release of provision for impairment loss, net	22	(36,327)	(46,304)
Gain on sale of development properties	16	(334,959)	(109,607)
Depreciation and amortization	18	145,042	143,871
Operating profit before working capital changes		<u>7,870,182</u>	<u>7,583,167</u>
(Disbursement of) / collection from loans, net		(11,886,090)	5,468,484
Decrease / (increase) in development properties		1,862,359	(12,888,210)
Decrease / (increase) in other assets		103,202	(84,634)
(Decrease) / increase in customer current account		(964,060)	1,094,750
Increase in restricted bank balance		(18,500)	(1,568,000)
Increase in other liabilities		5,445,063	1,150,013
Net movement in government account		(10,879,160)	6,075,825
Net cash (used in) / generated from operating activities		<u>(8,467,004)</u>	<u>6,831,395</u>
Investing activities			
Maturity of placement with financial institution with original maturity of more than 90 days		10,000,000	-
Purchase of equipment		(61,612)	(13,989)
Maturity of debt securities / (investment in debt securities)		1,005,533	(1,522,238)
Additional investment in associate		(25,635)	(1,511)
Net cash generated from / (used in) investing activities		<u>10,918,286</u>	<u>(1,537,738)</u>
Financing activities			
Payment to and on behalf of government, net	12 (m,n)	(1,580,592)	(1,498,789)
Net cash used in financing activities		<u>(1,580,592)</u>	<u>(1,498,789)</u>
Net increase in cash and cash equivalents		870,690	3,794,868
Cash and cash equivalents at 1 January		<u>77,797,991</u>	<u>80,076,041</u>
Cash and cash equivalents at 31 March*	21	<u><u>78,668,681</u></u>	<u><u>83,870,909</u></u>

*The balances at 31 March 2023 and 31 March 2022 are gross of expected credit loss of BD 384 and BD 2,025 respectively.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 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 condensed consolidated interim financial information include results of the Bank and its subsidiaries (together the "Group") and these were approved by the Board of Directors on 09 May 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 condensed consolidated interim financial information of the Group has 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 condensed consolidated interim financial information is hereinafter referred to as 'IFRS'.

The condensed consolidated interim financial information is reviewed, and not audited. The interim 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, this condensed consolidated interim financial information does 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 three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending on 31 December 2023.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2023.

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.

6 COMPARATIVES

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 profit or loss and other comprehensive income, changes in equity, cash flows have been extracted from the Group's reviewed condensed consolidated interim financial information for the three months ended 31 March 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

		31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
(i) Social loans			
Gross Loans		1,149,512,185	1,135,457,650
Less: subsidy and waiver	see note 12 (h)	(263,275,784)	(262,108,218)
		886,236,401	873,349,432
Less: expected credit loss	see note 12 (i)	(64,492,740)	(68,496,607)
		821,743,661	804,852,825
(ii) Commercial loans			
Gross loans		4,430,619	4,583,925
Less: expected credit loss		(579,226)	(631,271)
		3,851,393	3,952,654
Total loans		825,595,054	808,805,479

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

31 March 2023 (reviewed):

(a) Social loans:

	Stage 1	Stage 2	Stage 3	Total
	BD	BD	BD	BD
Exposure subject to ECL (net of subsidy and waivers)	759,637,218	71,071,349	55,527,834	886,236,401
Expected credit loss				
At 1 January	8,077,825	24,498,174	35,920,608	68,496,607
Net transfer between stages	9,731,481	(8,649,963)	(1,081,518)	-
Write off during the period	(9,169)	(102,812)	(1,578,816)	(1,690,797)
(Release) / charge for the period (note 22)	(9,502,022)	6,936,009	252,943	(2,313,070)
At 31 March	8,298,115	22,681,408	33,513,217	64,492,740
Net carrying value	751,339,103	48,389,941	22,014,617	821,743,661

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2023.

8 LOANS (continued)

(b) Commercial loans:

	Stage 1	Stage 2	Stage 3	Total
	BD	BD	BD	BD
Exposure subject to ECL	3,602,580	217,093	610,946	4,430,619
Expected credit loss				
At 1 January	43,726	69,803	517,742	631,271
Net transfer between stages	23,184	23,642	(46,826)	-
Write off during the period	-	-	(12,669)	(12,669)
(Release) / charge for the period (note 22)	(23,310)	(16,343)	277	(39,376)
At 31 March	43,600	77,102	458,524	579,226
Net carrying value	3,558,980	139,991	152,422	3,851,393
Total net carrying value	754,898,083	48,529,932	22,167,039	825,595,054

31 December 2022 (audited):

(a) Social loans:

	Stage 1	Stage 2	Stage 3	Total
	BD	BD	BD	BD
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:

	Stage 1	Stage 2	Stage 3	Total
	BD	BD	BD	BD
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2023.

9 INVESTMENT PROPERTIES

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Balance at 1 January	61,523,172	59,474,310
Transferred from development properties*	-	1,297,743
Transfer of land by the shareholder (page 4)	875,000	1,478,300
Sale of lands	-	(687,000)
Impairment loss on land	-	(651,512)
Additions during the period / year	-	809,480
Depreciation charge for the period / year	(48,859)	(198,149)
Balance at end of period / year	62,349,313	61,523,172
* net of impairment loss of BD 237,327		

10 DEVELOPMENT PROPERTIES

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Balance at 1 January	39,093,708	13,779,453
Additions during the period / year	330,141	18,913,158
Transfer of land by the shareholder	-	12,986,720
Properties sold during the period / year	(1,857,541)	(5,287,880)
Transferred to investment properties*	-	(1,297,743)
Balance at end of the period / year	37,566,308	39,093,708
* net of impairment loss of BD 237,327		

Development properties comprise the following:

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Projects for lease	620,969	585,474
Projects for sale	36,945,339	38,508,234
	37,566,308	39,093,708

11 OTHER ASSETS

		31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Advance for acquisition of development properties	11 (a)	67,500	67,500
Right-of-use assets		347,534	381,475
Equipment and intangibles (net book value)		685,038	671,271
Interest receivable		656,873	728,431
Staff loans		322,432	310,102
Balance with investment manager		168,616	162,706
Prepayments and advances		200,348	164,302
Other receivables		270,817	217,471
Dividend receivable		123,668	-
		2,842,826	2,703,258

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2023.

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.

	Note	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Opening Balance		505,202,068	469,184,838
Movement during the period / year:			
Waiver reimbursements	(a)	3,000,000	4,000,000
Collection from MOHUP rental flats	(b)	92,920	556,658
Reduction and write off decrees	(c & d)	(3,409,591)	(14,475,213)
Mazaya subsidy – net impact	(e)	10,826,300	2,299,564
Payment to Government	(f)	-	(10,000,000)
MOHUP houses and flats	(g)	2,015,139	43,863,466
Waivers and subsidy	(h)	(7,103,167)	(23,540,949)
Release of expected credit loss for social loans	(i)	2,313,070	13,596,624
Charge-off / (back), net – social loans	(j)	(483,409)	24,501,443
(Repayment of) / advance from proceeds on sale of Deerat Al Oyouun units	(k)	(3,403,982)	2,821,967
Payment to Sharaka for Housing Projects	(l)	(9,875,000)	-
Finance cost relating to syndicated term loan	(m)	(1,498,444)	(4,831,412)
Others	(n)	(82,148)	(2,774,918)
Ending balance		497,593,756	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.
- 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 Oyouun units net of expenses incurred for the sale of units and repayments.
- l) During 2023 the Group made payment of BD 9.9 million to Sharaka for Housing Projects towards the acquisition of 155 social housing units located in Madinat Salman based on MOHUP instruction.
- 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2023.

13 TERM LOANS

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
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 31 March 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

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Advances from customers	5,753,733	1,107,873
Contractor retentions	68,052	98,184
Employee savings scheme	1,673,691	1,586,168
Accrued expenses	653,923	1,510,233
Lease liabilities	see note 14.1 405,549	430,753
Accounts payable	78,086	145,956
Staff related accruals	649,702	572,056
Accrued interest payable	2,850,129	1,352,936
Others	see note 14.2 631,617	500,864
	12,764,482	7,305,023

14.1 LEASE LIABILITIES

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Maturity analysis – contractual undiscounted cash flow		
Less than one year	246,299	226,347
More than one year	178,673	226,347
Total undiscounted lease liabilities at end of period / year	424,972	452,694
Total discounted lease liabilities at end of period / year	405,549	430,753

14.2 Includes proceeds from sale of one project on behalf of third party BD 44,000 (31 Dec 2022: 25,500).

15 INTEREST INCOME

	<i>three months ended</i>	
	31 March 2023 (reviewed) BD	31 March 2022 (reviewed) BD
Interest income on social loans	8,494,797	8,667,048
Interest income on commercial loans	102,854	117,290
Interest income on placements with financial institutions	1,050,610	298,374
Interest income on debt securities	11,274	20,556
	9,659,535	9,103,268

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16 INCOME FROM PROPERTIES

	<i>three months ended</i>	
	31 March 2023	31 March 2022
	<i>(reviewed)</i>	<i>(reviewed)</i>
	<i>BD</i>	<i>BD</i>
Revenue from sale of development properties	2,192,500	484,500
Cost of development properties sold	(1,857,541)	(374,893)
Gain on sale of development properties (note 16.1)	334,959	109,607
Rental income	164,315	137,330
	499,274	246,937

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.

17 INTEREST EXPENSE

	<i>three months ended</i>	
	31 March 2023	31 March 2022
	<i>(reviewed)</i>	<i>(reviewed)</i>
Interest expense on term loans	1,498,444	978,912
Interest expense on interbank borrowing	27,608	2,383
Interest expense on leased agreements	5,073	7,708
Other interest and similar expense	21,656	10,268
	1,552,781	999,271
Reimbursement from Government, note 12 (m)	(1,498,444)	(978,912)
	54,337	20,359

18 OTHER EXPENSES

	<i>three months ended</i>	
	31 March 2023	31 March 2022
	<i>(reviewed)</i>	<i>(reviewed)</i>
	<i>BD</i>	<i>BD</i>
Depreciation and amortization	145,042	143,871
Legal and professional	84,018	84,229
Information technology	88,793	76,037
Marketing cost	29,775	21,400
Property management	59,573	46,573
Investment management cost	141,961	100,208
Transportation and communication	25,030	22,441
Premises	24,628	28,445
Directors' and Shari'ah board remuneration	1,500	22,440
Electricity	9,984	11,870
Insurance	5,550	7,699
Others	57,622	32,897
	673,476	598,110

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For the three months ended 31 March 2023.

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.

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

	as at 31 March 2023 (reviewed)			
	Shareholder	Associate	Directors	Key management
Assets				
Loans	-	-	21,238	24,428
Investments in associate	-	3,927,900	-	-
Other assets	-	127,793	-	56,100
Liabilities				
Current accounts	-	-	95	3,063
Government account*	497,593,756	-	-	-
Other liabilities	-	-	14,284	411,228

*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 2.3 million (2022: BD 13.6 million) (refer note 12 (i)).

	three months ended 31 March 2023 (reviewed)			
	Shareholder	Associate	Directors	Key management
Net share of profit from investment in associate	-	64,274	-	-
Fees and commission	20,430	3,750	-	-
Staff cost	-	-	-	312,184
Other expense	-	141,961	-	-
Impairment provision	-	16,527	-	-
Directors' and Shari'ah board remuneration and sitting fees	-	-	1,500	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2023.

19 RELATED PARTY TRANSACTIONS (continued)

	as at 31 December 2022 (audited)			
	Shareholder	Associate	Directors	Key management
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
	three months ended 31 March 2022 (reviewed)			
	Shareholder	Associate	Directors	Key management
Net share of profit from investment in associate	-	58,526	-	-
Fees and commission	31,770	3,750	-	-
Staff cost	-	-	-	281,964
Other expense	-	100,208	-	-
Impairment provision	-	21,750	-	-
Directors' and Shari'ah board remuneration and sitting fees	-	-	22,440	-

20 COMMITMENTS

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Social loan commitments approved by MOHUP (note 20.1)	45,825,278	47,066,411
Commitments - development properties	11,940,741	11,976,261
	57,766,019	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

	31 March 2023 (reviewed) BD	31 December 2022 (audited) BD
Cash in hand	67,309	144,736
Balances with banks	1,788,197	1,209,194
Balances with the CBB	3,357,175	1,469,561
Placements with banks and other institutions	2,500,000	10,000,000
Placements with the CBB (with an original maturity of 90 days or less)	71,000,000	75,000,000
	78,712,681	87,823,491
Less: impairment loss - ECL	(384)	(3,878)
Total cash and bank balances	78,712,297	87,819,613
Less: Restricted bank balance	see note 14.2 (44,000)	(25,500)
Less: Placements (with an original maturity of more than 90 days)	-	(9,996,122)
Total cash and cash equivalents**	78,668,297	77,797,991

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For the three months ended 31 March 2023.

21 CASH AND BANK BALANCES (continued)

The Group's consolidated net stable funding ratio (NSFR) as of 31 March 2023 is 141%, while the average LCR for the first quarter of the year stood at 465% (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 170% as of 31 March 2023, which is above minimum required CAR of 12.5%.

**The balances at 31 March 2023 and 31 December 2022 are net of the expected credit loss of BD 384 and nil respectively.

22 RELEASE OF PROVISION FOR IMPAIRMENT LOSS, NET	<i>three months ended</i>	
	31 March 2023 (reviewed) BD	31 March 2022 (reviewed) BD
Release / (charge) for the period - Social loans	2,313,070	(1,043,571)
Release for the period - Commercial loans	45,628	84,410
Release / (charge) for the period - Other receivables	3,732	(24,532)
Charge for the period - Investment in associate	(16,527)	(21,750)
Release for the period - Bank balances	<u>3,494</u>	<u>8,176</u>
	2,349,397	(997,267)
(Release back to government) / reimbursement from government for ECL on social loan (Note 12 (i))	(2,313,070)	1,043,571
	<u>36,327</u>	<u>46,304</u>

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 31 March 2023 and 31 December 2022. No transfers were made between the levels during the period ended 31 March 2023 and the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2023

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 31 March 2023:

<u>Available Stable Funding (ASF)</u>	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	
Capital:					
Common equity tier 1	406,887,517	-	-	-	406,887,517
Additional tier 1 capital	-	-	-	-	-
Tier 2 Capital	-	-	-	2,149,396	2,149,396
Stable Deposits	-	-	-	-	-
Less stable deposits:					
Demand deposits provided by retail customers	-	8,083,776	-	-	7,275,398
Demand deposits provided by small business customers	-	605,690	-	-	545,121
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	-	20,845,607	20,000,000	473,942,800	473,942,800
Total ASF	406,887,517	51,975,011	20,000,000	551,092,196	965,800,232
Required Stable Funding (RSF)					
Coins and banknotes	67,309	-	-	-	-
All claims on central banks	-	74,357,175	-	-	-
Marketable securities:					
Central Bank of Bahrain	608,919	-	-	-	30,446
Loans:					
Unencumbered Loans to retail and small business customers, and loans to sovereigns and PSEs	-	17,584,391	17,961,759	-	17,773,075
Unencumbered residential mortgages with a risk weight of less than or equal to 35%	-	-	-	802,318,190	521,506,823
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%	-	-	-	3,482,436	2,960,071
Unencumbered loans to and deposits with financial institutions	-	2,790,575	-	-	418,586
Unlisted investments not included in the above categories					
Investment in Subsidiaries	18,868,503	-	-	-	18,868,503
Investment in Associates	3,927,900	-	-	-	3,927,900
Other unlisted investments	2,878,415	-	-	-	2,878,415
Non-performing loans	15,348,498	-	-	-	15,348,498
All other assets including fixed assets, items deducted from regulatory capital, insurance assets and defaulted securities.	98,711,870	-	-	-	98,711,866
All other off-balance sheet exposures not included above	57,579,207	-	-	-	2,878,960
Total RSF	197,990,621	94,732,141	17,961,759	805,800,626	685,303,143
NSFR (%) as at 31 March 2023					141%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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24 NET STABLE FUNDING RATIO (continued)

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

Available Stable Funding (ASF)	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	
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	-	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%