

Bank of Bahrain and Kuwait B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2023 (REVIEWED)



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF BANK OF BAHRAIN AND KUWAIT B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Bank of Bahrain and Kuwait B.S.C. ("BBK B.S.C." or "the Bank") and its subsidiaries (collectively, "the Group") as at 30 June 2023, comprising of the interim consolidated statement of financial position as at 30 June 2023 and the related interim consolidated statements of profit or loss, other comprehensive income for the three month and six month periods then ended, and the interim consolidated statements of changes in equity and cash flows for the six month period then ended and explanatory notes. The Board of Directors of the Bank 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 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

20 July 2023
Manama, Kingdom of Bahrain

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (Reviewed)

		<i>All figures in BD millions</i>	
		Reviewed	<i>Audited</i>
		30 June	<i>31 December</i>
		2023	<i>2022</i>
ASSETS	<i>Notes</i>		
Cash and balances with central banks		475.8	416.9
Treasury bills		331.5	277.9
Deposits and amounts due from banks and other financial institutions		240.2	276.6
Loans and advances to customers	6	1,604.5	1,614.0
Investment securities		899.3	914.2
Interest receivable, derivative and other assets	7	160.6	154.5
Investments in associated companies and joint ventures		58.0	62.3
Premises and equipment		37.9	37.5
TOTAL ASSETS		3,807.8	3,753.9
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		345.1	289.4
Borrowings under repurchase agreements		351.8	377.4
Term borrowings		263.9	263.9
Customers' current, savings and other deposits		2,132.0	2,116.6
Interest payable, derivative and other liabilities	8	128.8	107.6
Total liabilities		3,221.6	3,154.9
Equity			
Share capital	9	173.0	164.8
Treasury stock		(3.0)	(4.7)
Share premium		105.6	105.6
Statutory reserve		78.5	78.5
General reserve		64.2	64.2
Cumulative changes in fair values		14.2	14.8
Foreign currency translation adjustments		(15.2)	(15.3)
Retained earnings		149.3	128.9
Proposed appropriations	9	17.2	59.5
Attributable to the owners of the Bank		583.8	596.3
Non-controlling interests		2.4	2.7
Total equity		586.2	599.0
TOTAL LIABILITIES AND EQUITY		3,807.8	3,753.9

Murad Ali Murad
Chairman

Khalid Hussain Taqi
Deputy Chairman

Dr. AbdulRahman Saif
Group Chief Executive

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2023 (Reviewed)

	Notes	<i>All figures in BD millions</i>		<i>All figures in BD millions</i>	
		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		2023	2022	2023	2022
Interest and similar income		57.3	32.4	112.7	61.7
Interest and similar expense		(24.1)	(10.1)	(46.2)	(19.1)
Net interest and similar income		33.2	22.3	66.5	42.6
Fee and commission income - net		1.5	4.8	5.6	9.1
Investment and other income	10 , 11	2.7	4.1	7.4	8.7
TOTAL OPERATING INCOME		37.4	31.2	79.5	60.4
Staff costs		(9.8)	(8.6)	(19.5)	(18.2)
Other operating expenses		(6.9)	(6.6)	(13.5)	(12.5)
TOTAL OPERATING EXPENSES		(16.7)	(15.2)	(33.0)	(30.7)
Net provisions and credit losses	12	(2.1)	(0.8)	(6.0)	(1.5)
NET OPERATING INCOME		18.6	15.2	40.5	28.2
Share of (loss) / profit from associated companies and joint ventures		(1.5)	0.5	(3.1)	2.8
PROFIT FOR THE PERIOD BEFORE TAX		17.1	15.7	37.4	31.0
Tax expense		(0.1)	(0.1)	(0.2)	(0.2)
PROFIT FOR THE PERIOD AFTER TAX		17.0	15.6	37.2	30.8
Attributable to:					
Owners of the Bank		16.9	15.5	37.0	30.6
Non-controlling interests		0.1	0.1	0.2	0.2
		17.0	15.6	37.2	30.8
Basic and diluted earnings per share (BD)	13	0.010	0.009	0.022	0.018

Murad Ali Murad
Chairman

Khalid Hussain Taqi
Deputy Chairman

Dr. AbdulRahman Saif
Group Chief Executive

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Six-month period ended 30 June 2023 (Reviewed)

	<i>All figures in BD millions</i>		<i>All figures in BD millions</i>	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
Profit for the period	17.0	15.6	37.2	30.8
Other comprehensive income / (loss):				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Fair value through other comprehensive income (equity instruments)	2.2	(5.1)	1.5	(2.2)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
<i>Movement in translation reserve:</i>				
Foreign currency translation adjustments	(0.1)	(1.5)	0.1	(2.2)
<i>Movement in hedging reserve:</i>				
Effective portion of changes in fair value	(0.1)	0.5	(0.1)	0.7
<i>Movement in fair value reserve:</i>				
Net change in fair value	10.7	(19.3)	(0.2)	(7.2)
Net amount transferred to profit or loss	(0.4)	(1.0)	(1.6)	(2.1)
Other comprehensive income / (loss) for the period	12.3	(26.4)	(0.3)	(13.0)
Total comprehensive income / (loss) for the period	29.3	(10.8)	36.9	17.8
Attributable to:				
Owners of the Bank	29.2	(10.9)	36.7	17.6
Non-controlling interests	0.1	0.1	0.2	0.2
	29.3	(10.8)	36.9	17.8

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2023 (Reviewed)

All figures in BD millions

	Attributable to the owners of the Bank										Non-controlling interests	Total equity
	Share capital	Treasury stock	Share premium	Statutory reserve	General reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Retained earnings	Proposed appropriations	Total		
Balance at 1 January 2023	164.8	(4.7)	105.6	78.5	64.2	14.8	(15.3)	128.9	59.5	596.3	2.7	599.0
Profit for the period	-	-	-	-	-	-	-	37.0	-	37.0	0.2	37.2
Other comprehensive (loss) / income for the period	-	-	-	-	-	(0.6)	0.1	0.2	-	(0.3)	-	(0.3)
Total comprehensive (loss) / income for the period	-	-	-	-	-	(0.6)	0.1	37.2	-	36.7	0.2	36.9
Share-based payments	-	-	-	-	-	-	-	0.4	-	0.4	-	0.4
Dividends paid	-	-	-	-	-	-	-	-	(49.1)	(49.1)	(0.5)	(49.6)
Issuance of share capital relating to stock dividends (note 9)	8.2	-	-	-	-	-	-	-	(8.2)	-	-	-
Donations	-	-	-	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Movement in treasury stock	-	1.7	-	-	-	-	-	-	-	1.7	-	1.7
Proposed appropriations (note 9)	-	-	-	-	-	-	-	(17.2)	17.2	-	-	-
Balance at 30 June 2023	173.0	(3.0)	105.6	78.5	64.2	14.2	(15.2)	149.3	17.2	583.8	2.4	586.2
Balance at 1 January 2022	149.8	(5.0)	105.6	72.1	64.2	(7.9)	(12.2)	129.3	46.9	542.8	2.4	545.2
Profit for the period	-	-	-	-	-	-	-	30.6	-	30.6	0.2	30.8
Other comprehensive (loss) / income for the period	-	-	-	-	-	(11.0)	(2.2)	0.2	-	(13.0)	-	(13.0)
Total comprehensive (loss) / income for the period	-	-	-	-	-	(11.0)	(2.2)	30.8	-	17.6	0.2	17.8
Share-based payments	-	-	-	-	-	-	-	0.3	-	0.3	-	0.3
Dividends paid	-	-	-	-	-	-	-	-	(29.7)	(29.7)	(0.4)	(30.1)
Issuance of share capital relating to stock dividends (note 9)	15.0	-	-	-	-	-	-	-	(15.0)	-	-	-
Donations	-	-	-	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Movement in treasury stock	-	1.4	-	-	-	-	-	-	-	1.4	-	1.4
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	0.1	0.1
Balance at 30 June 2022	164.8	(3.6)	105.6	72.1	64.2	(18.9)	(14.4)	160.4	-	530.2	2.3	532.5

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements

Bank of Bahrain and Kuwait B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2023 (Reviewed)

		<i>All figures in BD millions</i>	
		<i>Six months ended</i>	
		<i>30 June</i>	
Note		2023	2022
OPERATING ACTIVITIES			
	Profit for the period before tax	37.4	31.0
	Adjustments for non-cash items:		
	Net provisions and credit losses	6.0	1.5
12	Share of results from associated companies and joint ventures	3.1	(2.8)
	Change in unrealised fair values - associated companies	0.1	-
	Depreciation	3.8	3.5
	Realised gains on sale of investment securities	(1.5)	(1.9)
	Investment and other income	0.3	-
	Accrual on term borrowings	7.5	6.4
	Operating profit before changes in operating assets and liabilities	56.7	37.7
	(Increase) / decrease in operating assets:		
	Mandatory reserve deposits with central banks	(1.1)	(1.2)
	Treasury bills having original maturity of ninety days or more	(32.1)	(21.8)
	Deposits and amounts due from banks and other financial institutions	5.5	-
	Loans and advances to customers	3.7	(34.4)
	Interest receivable, derivative and other assets	(6.2)	(30.7)
	Increase / (decrease) in operating liabilities:		
	Deposits and amounts due to banks and other financial institutions	55.7	43.5
	Borrowings under repurchase agreements	(25.6)	(3.4)
	Customers' current, savings and other deposits	15.4	15.9
	Interest payable, derivative and other liabilities	13.7	(39.0)
	Income tax paid	(0.1)	-
	Net cash from / (used in) operating activities	85.6	(33.4)
INVESTING ACTIVITIES			
	Purchase of investment securities	(166.2)	(106.5)
	Redemption / sale of investment securities	181.3	166.2
	Purchase of premises and equipment	(4.1)	(2.2)
	Dividends received from associated companies and joint ventures	1.0	2.1
	Net other movements in associated companies and joint ventures	0.4	-
	Net cash from investing activities	12.4	59.6
FINANCING ACTIVITIES			
	Payment of dividends and other appropriations	(51.3)	(31.9)
	Additional term borrowings	-	18.9
	Movement in treasury stock	1.7	1.4
	Movement in share-based payments	0.4	0.3
	Net cash used in financing activities	(49.2)	(11.3)
	NET CHANGE IN CASH AND CASH EQUIVALENTS	48.8	14.9
	Foreign currency translation adjustments - net	(0.3)	(0.5)
	Cash and cash equivalents at beginning of the period	599.1	566.9
	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	647.6	581.3
5			
Additional cash flow information:			
	Interest received	109.0	60.6
	Interest paid	37.2	18.0

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023 (Reviewed)

1 ACTIVITIES

Bank of Bahrain and Kuwait B.S.C. ("BBK" or "the Bank"), a public shareholding company, was incorporated in the Kingdom of Bahrain by an Amiri Decree in March 1971 and registered with the Ministry of Industry and Commerce ("MOIC") under Commercial Registration ("CR") number 1234 dated 16 March 1971. The Bank operates in the Kingdom of Bahrain under a conventional retail banking license of Volume 1 issued by the Central Bank of Bahrain ("CBB") and its shares are listed at Bahrain Bourse.

The Bank is engaged in commercial banking activities through its branches in the Kingdom of Bahrain, State of Kuwait and Republic of India. It also engages in credit card operations and business process outsourcing services through its subsidiaries. The Bank's registered office is at 43 Government Avenue, P.O. Box 597, Manama, Kingdom of Bahrain.

These interim condensed consolidated financial statements for the six month period ended 30 June 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 20 July 2023.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements of the Bank and its subsidiaries (together, "the Group") are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34").

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 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. Certain corresponding figures have been reclassified in order to conform to the presentation of the interim condensed consolidated financial statements for the current period. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.

2.2 Basis of consolidation

These interim condensed consolidated financial statements incorporate the interim financial statements of the Bank and its subsidiaries. All intra-group transactions and balances including unrealised gains and losses on transactions between the Group companies have been eliminated on consolidation.

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 and the adoption of new standards or amendments to existing standards that have become applicable effective from 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023, but do not have any impact on the interim condensed consolidated financial statements of the Group.

2.3.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023 (Reviewed)

2 BASIS OF PREPARATION (continued)

2.3 New standards, interpretations and amendments adopted by the Group (continued)

2.3.1 IFRS 17 Insurance Contracts (continued)

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

This standard is not applicable to the Group.

2.3.2 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's interim condensed consolidated financial statements.

2.3.3 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

2.3.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

2.4 New standards, interpretations and amendments issued but not yet effective

There were no new standards, interpretations and amendments that are issued as of 1 January 2023, which were applicable to the Group and not yet effective up to the date of issuance of the Group's interim condensed consolidated financial statements.

3 SEGMENTAL INFORMATION

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

Retail banking	Principally handling individual customers' deposits and providing consumer finance type loans, overdrafts, credit facilities and funds transfer facilities, credit cards and foreign exchange. In addition, it includes lending to and deposit accounts raising from Private Banking customers.
Corporate banking	Principally handling loans and other credit facilities, deposit and current accounts for corporate and Small-Medium business customers in Bahrain.
International banking	Principally handling loans and other credit facilities, deposit and current accounts for international corporate and financial institution customers. This also covers the operations of the overseas units.
Investment, treasury and other activities	Principally providing money market, trading and treasury services as well as the management of the Group's funding operations. Investment activities involve handling investments in local and international markets, investment advisory services and funds management. Other activities mainly include business process outsourcing services.

These segments are the basis on which the Group reports its information to the chief operating and decision maker. Transactions between segments are generally recorded at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a transfer pricing rate, which approximates the marginal cost of funds on a matched funded basis.

3 SEGMENTAL INFORMATION (continued)

Segment information of interim consolidated statement of profit or loss for the six-month period ended 30 June 2023 was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>International banking</i>	<i>Investment treasury and other activities</i>	<i>Total</i>
Interest and similar income	18.6	28.1	13.0	53.0	112.7
Interest and similar expense	(6.1)	(10.7)	(7.0)	(22.4)	(46.2)
Internal fund transfer price	14.3	2.5	1.8	(18.6)	-
Net interest and similar income	26.8	19.9	7.8	12.0	66.5
Other operating income	5.7	0.7	1.4	5.2	13.0
Operating income before results from associated companies and joint ventures	32.5	20.6	9.2	17.2	79.5
Net provisions and credit losses	(2.1)	(5.2)	0.4	0.9	(6.0)
Segment result	12.4	8.1	3.7	16.1	40.3
Share of loss from associated companies and joint ventures	-	-	-	(3.1)	(3.1)
Net profit for the period					37.2
Net profit attributable to non-controlling interests					(0.2)
Net profit for the period attributable to the owners of the Bank					37.0

Segment information of interim consolidated statement of financial position as at 30 June 2023 was as follows:

Segment assets	806.9	679.6	488.9	1,673.8	3,649.2
Investments in associated companies and joint ventures	-	-	-	58.0	58.0
Common assets	-	-	-	-	100.6
Total assets					3,807.8
Segment liabilities	1,151.2	821.2	489.8	721.1	3,183.3
Common liabilities	-	-	-	-	38.3
Total liabilities					3,221.6

3 SEGMENTAL INFORMATION (continued)

Segment information of interim consolidated statement of profit or loss for the six-month period ended 30 June 2022 was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>International banking</i>	<i>Investment treasury and other activities</i>	<i>Total</i>
Interest and similar income	18.4	13.3	9.1	20.9	61.7
Interest and similar expense	(2.1)	(2.2)	(4.4)	(10.4)	(19.1)
Internal fund transfer price	(2.3)	(2.7)	0.7	4.3	-
Net interest and similar income	14.0	8.4	5.4	14.8	42.6
Other operating income	7.1	1.2	1.7	7.8	17.8
Operating income before results from associated companies and joint ventures	21.0	9.6	7.1	22.7	60.4
Net provisions and credit losses	(1.2)	(1.9)	1.6	-	(1.5)
Segment result	4.5	0.9	2.9	19.7	28.0
Share of profit from associated companies and joint ventures	-	-	-	2.8	2.8
Net profit for the period					30.8
Net profit attributable to non-controlling interests					(0.2)
Net profit for the period attributable to the owners of the Bank					30.6

Segment information of consolidated statement of financial position as at 31 December 2022 was as follows:

Segment assets	818.8	676.0	467.5	1,630.3	3,592.6
Investments in associated companies and joint ventures	-	-	-	62.3	62.3
Common assets	-	-	-	-	99.0
Total assets					3,753.9
Segment liabilities	1,133.3	820.7	465.5	699.6	3,119.1
Common liabilities	-	-	-	-	35.8
Total liabilities					3,154.9

4 COMMITMENTS AND CONTINGENT LIABILITIES

	Reviewed 30 June 2023	<i>Audited</i> <i>31 December</i> <i>2022</i>
Contingencies		
Letters of credit	22.2	24.8
Guarantees	206.9	190.2
	229.1	215.0
Commitments		
Undrawn loan commitments	178.3	103.2
Other commitments	827.9	881.6
	1,235.3	1,199.8

The Group does not expect all its commitments to be drawn before the expiry of the commitment.

As of 30 June 2023, ECL of BD 3.0 million was held against off balance sheet and other credit exposures (31 December 2022: BD 2.8 million).

5 CASH AND CASH EQUIVALENTS

	<i>Six months ended</i> <i>30 June (Reviewed)</i>	
	2023	<i>2022</i>
Cash in hand and vaults	22.5	26.4
Current accounts and placements with central banks	360.4	202.9
Treasury bills having original maturity of ninety days or less	21.5	-
Deposits and amounts due from banks and other financial institutions having original maturity of ninety days or less	243.2	352.0
	647.6	581.3

6 LOANS AND ADVANCES TO CUSTOMERS

<u>At 30 June 2023 (Reviewed)</u>	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit- impaired	Stage 3: Lifetime ECL credit- impaired	Total
<i>At amortised cost:</i>				
Commercial loans and overdrafts	720.9	269.6	55.6	1,046.1
Consumer loans	609.1	20.5	12.1	641.7
	1,330.0	290.1	67.7	1,687.8
Less: Expected credit losses	(4.2)	(33.0)	(46.1)	(83.3)
	1,325.8	257.1	21.6	1,604.5

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

<i>At 31 December 2022 (Audited)</i>	<i>Stage 1: 12-month ECL</i>	<i>Stage 2: Lifetime ECL not credit- impaired</i>	<i>Stage 3: Lifetime ECL credit- impaired</i>	<i>Total</i>
<i>At amortised cost:</i>				
Commercial loans and overdrafts	710.6	275.4	47.4	1,033.4
Consumer loans	628.9	20.6	10.3	659.8
	<u>1,339.5</u>	<u>296.0</u>	<u>57.7</u>	<u>1,693.2</u>
Less: Expected credit losses	(6.7)	(31.2)	(41.3)	(79.2)
	<u>1,332.8</u>	<u>264.8</u>	<u>16.4</u>	<u>1,614.0</u>

Movements in allowances for ECL on loans and advances are as follows:

	2023			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit - impaired	Stage 3: Lifetime ECL credit - impaired	Total
Balance at 1 January 2023	6.7	31.2	41.3	79.2
Net transfers between stages	(2.6)	(0.2)	2.8	-
Net remeasurement of loss allowances (note 12)	(0.2)	1.4	4.8	6.0
Amounts written off during the period	-	-	(2.5)	(2.5)
Foreign exchange and other movements	0.3	0.6	(0.3)	0.6
Balance at 30 June 2023	<u>4.2</u>	<u>33.0</u>	<u>46.1</u>	<u>83.3</u>
	2022			
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2: Lifetime ECL not credit - impaired</i>	<i>Stage 3: Lifetime ECL credit - impaired</i>	<i>Total</i>
Balance at 1 January 2022	4.7	26.4	60.2	91.3
Net transfers between stages	0.8	(1.1)	0.3	-
Net remeasurement of loss allowances (note 12)	1.2	1.7	(0.3)	2.6
Amounts written off during the period	-	-	(0.8)	(0.8)
Foreign exchange and other movements	(0.1)	0.1	0.1	0.1
Balance at 30 June 2022	<u>6.6</u>	<u>27.1</u>	<u>59.5</u>	<u>93.2</u>

The fair value of the collateral consisting of cash, securities and real estate that the Group holds relating to loans individually determined to be credit impaired at 30 June 2023 was BD 41.1 million (31 December 2022: BD 32.5 million).

At 30 June 2023, gross loans and advances include Islamic financing facilities provided by the Group to corporates amounting to BD 23.4 million (31 December 2022: BD 23.9 million). These mainly consists of Murabaha and Ijarah financing facilities.

At 30 June 2023, interest in suspense on past due loans that are credit impaired was BD 24.6 million (31 December 2022: BD 22.0 million).

30 June 2023 (Reviewed)

All figures in BD millions

7 INTEREST RECEIVABLE, DERIVATIVE AND OTHER ASSETS

	Reviewed 30 June 2023	<i>Audited</i> <i>31 December</i> <i>2022</i>
Positive fair value of derivatives	59.2	60.5
Accounts receivable	47.0	44.3
Interest receivable	31.4	27.7
Collateral pending sale	17.5	17.6
Prepaid expenses	2.5	2.4
Deferred tax asset	0.7	1.1
Other assets	2.3	0.9
	160.6	154.5

8 INTEREST PAYABLE, DERIVATIVE AND OTHER LIABILITIES

	Reviewed 30 June 2023	<i>Audited</i> <i>31 December</i> <i>2022</i>
Accounts payable	51.3	42.5
Interest payable	36.1	27.1
Accrued expenses	27.3	22.2
Lease liability	5.8	5.2
ECL on financial contracts and commitments	3.0	2.8
Negative fair value of derivatives	1.0	2.8
Other liabilities	4.3	5.0
	128.8	107.6

9 EQUITY**(i) Issuance of share capital**

The shareholders approved a stock dividend pertaining to the year 2022 in the Annual General Assembly held on 28 March 2023 thereby, increasing the share capital by BD 8.2 million (2022: BD 15.0 million).

(ii) Interim dividend

The Board of Directors proposed interim cash dividend of BD 0.010 per share, net of treasury stock. The payment of the interim cash dividend is subject to the approval of the CBB.

10 SEASONAL RESULTS

Other income for the six-month period ended 30 June 2023 includes BD 1.6 million (30 June 2022: BD 1.8 million) of dividend income, which is of a seasonal nature.

11 OTHER INCOME

Other income for the six-month period ended 30 June 2023 includes gain of BD 1.5 million (30 June 2022: BD 1.9 million) relating to sale of investment securities.

30 June 2023 (Reviewed)

All figures in BD millions

12 NET PROVISIONS AND CREDIT LOSSES

	<i>Three-month ended</i>		<i>Six-month ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
Loans and advances to customers	2.1	0.9	6.0	2.6
Recoveries from fully provided loans written-off in previous years	-	(0.1)	(0.2)	(0.3)
Off balance sheet exposures	-	(0.1)	0.2	(0.8)
Investment securities	-	-	(0.1)	(0.1)
Collateral pending sale	-	0.1	0.1	0.1
	2.1	0.8	6.0	1.5

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six-month period ended is calculated by dividing the profit for the six-month by the weighted average number of shares outstanding during the six-month period ended are as follows:

	<i>Three-month ended</i>		<i>Six-month ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
Profit for the period attributable to the owners of the Bank for basic and diluted earnings per share computation	16.9	15.5	37.0	30.6
Weighted average number of shares, net of treasury stock, outstanding during the period	1,718,282,535	1,717,809,935	1,718,282,535	1,717,809,935
Basic and diluted earnings per share (BD)	0.010	0.009	0.022	0.018

14 RELATED PARTY BALANCES AND TRANSACTIONS

Certain related parties (principally the major shareholders, associates, joint venture, directors and key management of the Group, their families and entities controlled, jointly controlled or significantly influenced by such parties) were customers of the Group in the ordinary course of business.

Balances in respect of transactions entered into with related parties as of the interim consolidated statement of financial position date were as follows:

	<i>Major shareholders</i>	<i>Associated companies and joint ventures</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<u>30 June 2023 (Reviewed)</u>				
Loans and advances to customers	-	15.8	2.2	18.0
Investments in associated companies and joint ventures	-	58.0	-	58.0
Customers' current, savings and other deposits	17.8	2.0	9.4	29.2

30 June 2023 (Reviewed)

All figures in BD millions

14 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	<i>Major shareholders</i>	<i>Associated companies and joint ventures</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<i>31 December 2022 (Audited)</i>				
Loans and advances to customers	-	2.5	4.5	7.0
Investments in associated companies and joint ventures	-	62.3	-	62.3
Customers' current, savings and other deposits	29.6	1.8	11.4	42.8

The income and expense items with related parties included in the interim consolidated statement of profit or loss were as follows:

	<i>Major shareholders</i>	<i>Associated companies and joint ventures</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<i>Period ended 30 June 2023 (Reviewed)</i>				
Interest and similar income	-	0.3	-	0.3
Interest and similar expense	0.4	-	0.1	0.5
Share of loss from associated companies and joint ventures	-	(3.1)	-	(3.1)
	<i>Major shareholders</i>	<i>Associated companies and joint ventures</i>	<i>Directors and key management personnel</i>	<i>Total</i>
<i>Period ended 30 June 2022 (Reviewed)</i>				
Interest and similar income	-	0.2	-	0.2
Interest and similar expense	1.2	-	0.1	1.3
Share of profit from associated companies and joint ventures	-	2.8	-	2.8

Compensation for key management, including executive officers, comprises the following:

	<i>Six months ended 30 June (Reviewed)</i>	
	2023	2022
Salaries and other short-term benefits	7.0	5.9
Post-employment benefits	0.2	0.2
Share based compensation	0.4	0.3
	7.6	6.4

15 FINANCIAL INSTRUMENTS

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 significant inputs for valuation of equities classified under Level 3 are annual growth rate of cash flows and discount rates and for funds it is the illiquidity discount. Lower growth rate and higher discount rate, illiquidity discount will result in a lower fair value. The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by five per cent. There were no material changes in the valuation techniques used for the purpose of measuring fair value of investment securities as compared to the previous year.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>30 June 2023 (Reviewed)</u>				
<i>Financial assets</i>				
Bonds	599.3	2.7	-	602.0
Equities	39.8	11.3	17.9	69.0
Managed funds	-	1.0	-	1.0
Derivatives held for trading	-	0.6	-	0.6
Derivatives held as fair value hedges	-	58.6	-	58.6
	639.1	74.2	17.9	731.2
<i>Financial liabilities</i>				
Borrowings under repurchase agreements	68.6	-	-	68.6
Derivatives held for trading	-	0.2	-	0.2
Derivatives held as fair value hedges	-	0.8	-	0.8
	68.6	1.0	-	69.6
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>31 December 2022 (Audited)</u>				
<i>Financial assets</i>				
Bonds	605.7	3.9	-	609.6
Equities	41.4	11.3	17.9	70.6
Managed funds	-	1.1	-	1.1
Derivatives held for trading	-	0.4	-	0.4
Derivatives held as fair value hedges	-	60.1	-	60.1
	647.1	76.8	17.9	741.8
<i>Financial liabilities</i>				
Borrowings under repurchase agreements	106.3	-	-	106.3
Derivatives held for trading	-	2.0	-	2.0
Derivatives held as fair value hedges	-	0.8	-	0.8
	106.3	2.8	-	109.1

15 FINANCIAL INSTRUMENTS (continued)**Transfers between level 1, level 2 and level 3**

During the reporting period / year ended 30 June 2023 and 31 December 2022, there were no transfers into and out of Level 3 fair value measurements. Further, there was no significant movement within equity instruments classified under Level 3.

The tables below sets out the estimated carrying values and fair values of those on and off statement of financial position financial instruments carried at amortised cost where fair values are different from the carrying amounts shown in the consolidated financial statements:

	30 June 2023 (Reviewed)			31 December 2022 (Audited)		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial liabilities						
Term borrowings	263.9	262.0	(1.9)	263.9	260.2	(3.7)
Financial assets						
Investment securities	227.1	226.8	0.3	232.9	232.5	0.4

The above financial assets and liabilities are at Level 1 fair value. The fair value of financial assets and financial liabilities approximate their carrying values, other than those disclosed in the table above.

16 NET STABLE FUNDING RATIO (NSFR)

The NSFR ratio is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB. The minimum NSFR ratio limit as per CBB is 100%. The Group's consolidated NSFR ratio as of 30 June 2023 was 135.8% (31 December 2022: 138.3%).

The main drivers behind our robust Available Stable Funding (ASF) are the solid capital base, sizeable Retail and Small business deposits portfolio, large portfolio of non-financial institutions deposits (related to Government and Corporate deposits), as well as medium term funding from Borrowing under repurchase agreements and Term Borrowings. The capital base formed 23.1% (31 December 2022: 23.4%) of our ASF, while the retail and small business deposits formed 46.9% (31 December 2022: 46.6%) of the ASF (after applying the relevant weights).

For the Required Stable Funding (RSF), the primary reason for the relatively low RSF, in comparison to the ASF, is related to the sizeable portfolio of BBK's High Quality Liquidity Assets (HQLAs) which accounts for 25.6% (31 December 2022: 23.6%) of total RSF (before applying the relevant weights).

In comparison to 31 December 2022, the NSFR ratio decreased slightly from 138.3% to 135.8% mainly due to lower ASF as a result of lower weighted value of funding from FIs as they move closer to maturity with an impact of BD 31.3 million, and lower capital by BD 15.3 million (mainly due to dividend payment).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023 (Reviewed)

All figures in BD millions

16 NET STABLE FUNDING RATIO (continued)

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

<i>Item</i>	<i>Unweighted Values (i.e. before applying relevant 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:					
Regulatory Capital	594.7	-	-	24.8	619.5
Retail deposits and deposits from small business customers:					
Stable deposits	-	486.9	7.2	0.5	469.9
Less stable deposits	-	739.1	91.2	38.3	785.6
Wholesale funding:					
Other wholesale funding	-	1,116.1	217.6	395.9	804.4
Other liabilities:					
All other liabilities not included in the above categories	-	126.6	-	-	-
Total ASF	594.7	2,468.7	316.0	459.5	2,679.4
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	228.8
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	261.9	47.9	59.7	123.0
Performing loans to non-financial corporate clients, loans to retail and small business customers, loans to sovereigns, central banks and PSEs, of which:	-	322.8	64.7	827.7	897.3
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	32.8	6.7	235.9	173.1
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	48.7	22.7	170.7	195.8
Other assets:					
NSFR derivative assets	-	69.1	-	-	69.1
All other assets not included in the above categories	234.9	-	-	-	234.9
Off-balance sheet items	-	1,033.5	-	-	51.7
Total RSF	234.9	1,768.8	142.0	1,294.0	1,973.7
NSFR (%) - As at 30 June 2023 (Reviewed)					135.8%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023 (Reviewed)

All figures in BD millions

16 NET STABLE FUNDING RATIO (continued)

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

Item	<i>Unweighted Values (i.e. before applying relevant factors)</i>				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
<u>Available Stable Funding (ASF):</u>					
Capital:					
Regulatory Capital	610.3	-	-	25.3	635.6
Retail deposits and deposits from small business customers:					
Stable deposits	-	479.9	9.2	0.5	465.2
Less stable deposits	-	722.9	133.5	29.9	800.7
Wholesale funding:					
Other wholesale funding	-	989.9	293.2	388.4	817.4
Other liabilities:					
All other liabilities not included in the above categories	-	105.1	-	-	-
Total ASF	610.3	2,297.8	435.9	444.1	2,718.9
<u>Required Stable Funding (RSF):</u>					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	205.5
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	297.0	5.7	73.4	120.8
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	344.4	73.9	830.0	914.7
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	40.1	5.4	242.1	180.1
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	48.6	42.7	165.7	201.8
Other assets:					
NSFR derivative assets	-	57.8	-	-	57.8
NSFR derivative liabilities before deduction of variation margin posted	-	0.2	-	-	0.2
All other assets not included in the above categories	236.4	-	-	-	236.4
OBS items	-	972.6	-	-	48.6
Total RSF	236.4	1,760.7	127.7	1,311.2	1,965.9
NSFR (%) - As at 31 December 2022 (Audited)					138.3%