



NATIONAL BANK OF BAHRAIN GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2023



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

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Commercial registration: 269 (Licensed by the Central Bank of Bahrain as a conventional retail bank)

Board of Directors: Mr. Farouk Yousuf Khalil Almoayyed, *Chairman*
Dr. Esam Abdulla Yousif Fakhro, *Deputy Chairman*
Mr. Fawzi Ahmed Ali Kanoo, *Deputy Chairman*
Sh. Rashid Bin Salman Mohamed Al Khalifa, *Director*
Ms. Hala Ali Hussain Yateem, *Director*
Mr. Rishi Kapoor, *Director*
Mr. Yusuf Abdulla Yusuf Akbar Alireza, *Director*
Mr. Mohamed Tareq Mohamed Sadeq Akbar, *Director*
Mr. Amin Ahmed Alarrayed, *Director*
Mr. Vincent Van Den Boogert, *Director*
Mr. Zaid Khalid Abdulrahman, *Director*

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

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

Introduction

We have reviewed the accompanying 31 March 2023 condensed consolidated interim financial information of National Bank of Bahrain B.S.C. (the "Bank") and its subsidiary (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 for the three-month period ended 31 March 2023;
- the condensed consolidated statement of 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 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'.

8 May 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2023

Bahraini Dinar Millions

	31 March 2023 (reviewed)	31 December 2022 (audited)
Assets		
Cash and balances at central banks	185.7	177.7
Treasury bills	224.0	343.5
Placements with banks and other financial institutions	338.5	275.1
Loans and advances (note 8)	2,467.2	2,494.9
Investment securities	1,341.0	1,241.4
Investment in associates	26.9	26.5
Interest receivable and other assets	116.7	103.3
Property and equipment	70.4	70.1
Goodwill and other intangible assets	52.6	52.8
Total assets	4,823.0	4,785.3
Liabilities		
Due to banks and other financial institutions	508.3	472.3
Borrowings under repurchase agreements	257.9	244.4
Customer deposits	3,371.3	3,330.2
Interest payable and other liabilities	145.9	162.5
Total liabilities	4,283.4	4,209.4
Equity		
Share capital	226.6	206.0
Shares unallocated under share incentive scheme	(1.2)	(1.1)
Share premium	12.3	12.3
Statutory reserve	113.3	103.0
General reserve	32.4	32.4
Other reserves and retained earnings	145.7	213.3
Equity attributable to the shareholders of the Bank	529.1	565.9
Non-controlling interest	10.5	10.0
Total equity	539.6	575.9
Total liabilities and equity	4,823.0	4,785.3


 < (May 8, 2023 11:46 GMT+3)

Farouk Yousuf Khalil Almoayyed
 Chairman


 Esam Fakhro (May 8, 2023 11:44 GMT+3)

Dr. Esam Abdulla Fakhro
 Deputy Chairman


 Usman Ahmed (May 8, 2023 12:02 GMT+3)


Usman Ahmed
 Group Chief Executive Officer

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 17 on 8 May 2023.


CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the three months ended 31 March 2023

Bahraini Dinar Millions

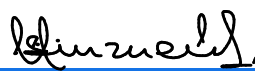
	Three months ended	
	31 March 2023 (reviewed)	31 March 2022 (reviewed)
Interest income	61.6	40.4
Interest expense	(28.3)	(8.0)
Net interest income	33.3	32.4
Other income	16.7	10.1
Total operating income	50.0	42.5
Staff expenses	12.1	10.9
Depreciation, amortisation and equipment expenses (note 12)	4.5	3.6
Other operating expenses (note 12)	5.7	5.9
Total operating expenses	22.3	20.4
Operating profit before results of associates, impairment, and other provisions	27.7	22.1
Share of profits from associates, net	0.4	0.6
Loans, placements and securities impairment, net (note 9)	(5.3)	(0.9)
Other impairment and provisions, net (note 9)	0.2	(1.3)
Profit for the period	23.0	20.5
Attributable to:		
Shareholders of the Bank	22.4	19.4
Non-controlling interest	0.6	1.1
Profit for the period	23.0	20.5
Basic and diluted earnings per share	10 fils	9 fils


 < (May 8, 2023 11:46 GMT+3)

Farouk Yousuf Khalil Almoayyed
 Chairman


 Esam Fakhro (May 8, 2023 11:44 GMT+3)

Dr. Esam Abdulla Fakhro
 Deputy Chairman


 Usman Ahmed (May 8, 2023 12:02 GMT+3)

Usman Ahmed
 Group Chief Executive Officer

The condensed consolidated interim financial information consists of pages 2 to 17.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three months ended 31 March 2023

Bahraini Dinar Millions

	Three months ended	
	31 March 2023 (reviewed)	31 March 2022 (reviewed)
Profit for the period	23.0	20.5
Other comprehensive income:		
Items that are or may be reclassified to profit or loss:		
Fair value through other comprehensive income (debt instruments)		
- Net change in fair value	(0.4)	13.4
- Net amount transferred to profit or loss	(5.1)	(1.1)
Items that will not be reclassified to profit or loss:		
Fair value through other comprehensive income (equity instruments)	(1.5)	9.2
Total other comprehensive (loss) / income for the period	(7.0)	21.5
Total comprehensive income for the period	16.0	42.0
Attributable to:		
Shareholders of the Bank	15.4	40.9
Non-controlling interest	0.6	1.1
Total comprehensive income for the period	16.0	42.0

The condensed consolidated interim financial information consists of pages 2 to 17.

National Bank of Bahrain Group

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2023

Bahraini Dinar Millions

2023 (reviewed)

	Share capital	Un-allocated shares	Share premium	Statutory reserve	General reserve	Other reserves and retained earnings			Total owners' equity	Non-controlling interest	Total equity
						Fair value reserve	Donation charity reserve	Retained earnings			
Balance at 31 December 2022	206.0	(1.1)	12.3	103.0	32.4	28.2	13.0	172.1	565.9	10.0	575.9
2022 appropriations:											
Cash dividend at 25%	-	-	-	-	-	-	-	(51.5)	(51.5)	-	(51.5)
Bonus shares issued at 10%	20.6	(0.1)	-	-	-	-	-	(20.5)	-	-	-
Transfer to donations and charity reserve	-	-	-	-	-	-	3.4	(3.4)	-	-	-
Transfer to statutory reserve	-	-	-	10.3	-	-	-	(10.3)	-	-	-
Balance after 2022 appropriations	226.6	(1.2)	12.3	113.3	32.4	28.2	16.4	86.4	514.4	10.0	524.4
Comprehensive income for the period:											
Profit for the period	-	-	-	-	-	-	-	22.4	22.4	0.6	23.0
Other comprehensive income	-	-	-	-	-	(7.0)	-	-	(7.0)	-	(7.0)
Total comprehensive income for the period	-	-	-	-	-	(7.0)	-	22.4	15.4	0.6	16.0
Utilisation of donation and charity reserve	-	-	-	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Other movements	-	-	-	-	-	-	-	(0.3)	(0.3)	(0.1)	(0.4)
Balance at 31 March 2023	226.6	(1.2)	12.3	113.3	32.4	21.2	16.0	108.5	529.1	10.5	539.6

The condensed consolidated interim financial information consists of pages 2 to 17.

National Bank of Bahrain Group

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2023

Bahraini Dinar Millions

2022 (reviewed)

	Share capital	Un-allocated shares	Share premium	Statutory reserve	General reserve	Other reserves and retained earnings			Total owners' equity	Non-controlling interest	Total equity
						Fair value reserve	Donation charity reserve	Retained earnings			
Balance at 31 December 2021	187.3	(1.2)	11.4	93.6	32.4	18.2	13.8	172.3	527.8	7.5	535.3
2021 appropriations:											
Cash dividend at 20%	-	-	-	-	-	-	-	(37.5)	(37.5)	-	(37.5)
Bonus shares issued at 10%	18.7	(0.1)	-	-	-	-	-	(18.6)	-	-	-
Transfer to donations and charity reserve	-	-	-	-	-	-	2.7	(2.7)	-	-	-
Transfer to statutory reserve	-	-	-	9.4	-	-	-	(9.4)	-	-	-
Balance after 2021 appropriations	206.0	(1.3)	11.4	103.0	32.4	18.2	16.5	104.1	490.3	7.5	497.8
Employee shares allocated during the period	-	0.2	0.9	-	-	-	-	-	1.1	-	1.1
Comprehensive income for the period:											
Profit for the period	-	-	-	-	-	-	-	19.4	19.4	1.1	20.5
Other comprehensive income	-	-	-	-	-	21.5	-	-	21.5	-	21.5
Total comprehensive income for the period	-	-	-	-	-	21.5	-	19.4	40.9	1.1	42.0
Utilisation of donation and charity reserve	-	-	-	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Other movements	-	-	-	-	-	-	-	(0.3)	(0.3)	(0.1)	(0.4)
Balance at 31 March 2022	206.0	(1.1)	12.3	103.0	32.4	39.7	15.8	123.2	531.3	8.5	539.8

The condensed consolidated interim financial information consists of pages 2 to 17.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2023

Bahraini Dinar Millions

	Three months ended	
	31 March 2023 (reviewed)	31 March 2022 (reviewed)
Cash flow from operating activities		
Profit for the period	23.0	20.5
Adjustments to reconcile profit for the period to net cash from operating activities:		
Depreciation and amortisation	2.3	1.9
Amortisation of right-of-use leased property	0.5	0.4
Loans, placements and securities impairment, net	5.3	0.9
Other impairment and provisions, net	(0.2)	1.3
Share of profits from associates, net	(0.4)	(0.6)
Profit for the period after adjustments	30.5	24.4
Change in operating assets and liabilities:		
Balances with central banks (mandatory cash reserve)	(1.3)	1.0
Treasury bills	(63.8)	25.6
Placements with banks and other financial institutions	1.6	(6.5)
Loans and advances	22.4	65.2
Investment securities	(92.2)	(6.5)
Interest receivable and other assets	(27.9)	10.6
Due to banks and other financial institutions	36.0	25.9
Borrowings under repurchase agreements	13.5	25.1
Customer deposits	41.1	49.5
Interest payable and other liabilities	(17.3)	10.8
Net cash (used in) / from operating activities	(57.4)	225.1
Cash flow from investing activities		
Dividend received from associates	-	0.1
Purchase of property and equipment, net	(2.3)	(3.6)
Net cash used in investing activities	(2.3)	(3.5)
Cash flow from financing activities		
Dividends paid	(51.6)	(37.5)
Donations and charities paid	(0.8)	(1.1)
Payment of lease liabilities	(0.4)	(0.4)
Net cash used in financing activities	(52.8)	(39.0)
Net (decrease) / increase in cash and cash equivalents during the period	(112.5)	182.6
Cash and cash equivalents at 1 January	512.9	320.5
Cash and cash equivalents at 31 March (note 15)	400.4	503.1

The condensed consolidated interim financial information consists of pages 2 to 17.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023**

Bahraini Dinar Millions

1. Reporting entity

The parent company of the Group, National Bank of Bahrain B.S.C. (the "Bank"), is a public shareholding company incorporated in the Kingdom of Bahrain by an Amiri decree in January 1957. The Bank is licensed by the Central Bank of Bahrain ("CBB") as a conventional retail bank.

The condensed consolidated interim financial statements include the results of the Bank and its subsidiary (together the "Group"). The Bank holds 78.8% of the share capital of Bahrain Islamic Bank B.S.C. ("BISB") which operates under an Islamic retail banking license issued by the CBB.

2. Basis of preparation and significant accounting policies

The condensed consolidated interim financial information of the Group has been prepared in accordance IAS 34 'Interim Financial Reporting' and the applicable provisions of the Central Bank of Bahrain regulations.

The condensed consolidated interim financial information is reviewed by the external auditors, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2022. The comparatives for the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed consolidated interim financial information for the three months period ended 31 March 2022.

In accordance with IAS 34, the condensed consolidated interim financial information does not contain all the information and disclosures required for the full annual consolidated financial statements and should be read in conjunction with the Group's 2022 annual audited consolidated financial statements, except for the effects of new standard adoptions and standard amendments described in note 3. In addition, results for the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The condensed consolidated interim financial information is influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the condensed consolidated interim financial information. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the application of standards. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation are in accordance with the application of standards and are the same as those applied to the audited consolidated financial statements for the year ended 31 December 2022.

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

3. Adoption of new accounting standards and amendments to standards

The new accounting standards and amendments to the standards issued and effective as at 1 January 2023 do not have a significant impact on the Group's accounting policies. The condensed consolidated interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2022 (see note 2).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023

Bahraini Dinar Millions

4. Estimates and management judgement

The Group's condensed consolidated interim financial information and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation are in accordance with the application of standards and are the same as those applied to the audited financial statements for the year ended 31 December 2022.

5. Seasonality

For the three months ended 31 March 2023, other income included BHD 3.3 million (31 March 2022: BHD 2.7 million) of dividends received from the Group's investments in equity securities. This income is of a seasonal nature.

6. Related parties

Certain related parties (major shareholders, directors of the Bank and their families and companies of which they are principal owners, and key management personnel) were customers and/or suppliers of the Group in the ordinary course of business. The transactions with these parties were made on an arm's length basis.

7. Appropriations

At the annual ordinary general meeting and the extraordinary general meeting for the year 2022, which were held on 22 March 2023, certain appropriations and amendments were approved and effected during the period. These appropriations include BHD 51.5 million for cash dividend at 25%, BHD 3.4 million for donations and contributions, a transfer of BHD 10.3 million from retained earnings to the statutory reserve and an increase in paid up capital due to a one-for-ten bonus issue through the utilisation of BHD 20.6 million from the retained earnings.

8. Loans and advances**(a) Exposure by staging****31 March 2023**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances	2,231.3	186.7	107.9	37.9	2,563.8
Less: impairment provisions	(14.8)	(27.3)	(51.4)	(3.1)	(96.6)
Net loans and advances	2,216.5	159.4	56.5	34.8	2,467.2

31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances	2,259.1	191.4	99.6	40.0	2,590.1
Less: impairment provisions	(15.5)	(25.0)	(50.4)	(4.3)	(95.2)
Net loans and advances	2,243.6	166.4	49.2	35.7	2,494.9

Stage 2 includes BHD 2.5 million of loans designated as FVTPL (31 December 2022: BHD 2.5 million).

Purchased or originated credit impaired ("POCI") financial assets were acquired as part of the business combination at fair value and reflect the credit losses on which a lifetime ECL is already recognised. The POCI portfolio comprises performing and non-performing credit facilities and is 92.7% covered by provisions and / or high quality collateral as at 31 March 2023 (31 December 2022: 93.0%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023

Bahraini Dinar Millions

8. Loans and advances (continued)**(b) Impairment provisions on loans and advances**

	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment at 31 December 2022	15.5	25.0	50.4	4.3	95.2
Net transfer between stages	0.4	(1.3)	0.9	-	-
Write off during the period	-	-	(2.4)	(1.5)	(3.9)
Net charge for the period (note 9)	(1.1)	3.6	2.5	0.3	5.3
Impairment at 31 March 2023	14.8	27.3	51.4	3.1	96.6

(c) Aging schedule of non-performing loans and advances

	31 March 2023	31 December 2022
Up to 1 year	86.6	79.3
1 to 3 years	12.0	11.6
Over 3 years	9.3	8.7
	107.9	99.6
Fair market value of collateral	91.4	82.8
Stage 3 impairment provision	51.4	50.4

The non-performing loan ratio at 31 March 2023 exclusive and inclusive of non-performing POCI is 4.2% and 4.3% respectively (31 December 2022: 3.8% and 4.0%).

9. Net impairment and other provisions

	31 March 2023	31 March 2022
Loans and advances (note 8b)	5.3	0.9
	5.3	0.9
Loan commitments, guarantees and contingents	(0.2)	0.8
Associates	-	0.5
	(0.2)	1.3
	5.1	2.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023

Bahraini Dinar Millions

10. Contingent liabilities and banking commitments

	31 March 2023	31 December 2022
Contingent liabilities		
Letters of credit	97.0	103.4
Guarantees	167.3	181.1
	<u>264.3</u>	<u>284.5</u>
Banking commitments		
Undrawn loan commitments	247.1	259.4
Interest rate contracts	4,393.7	4,114.3
Foreign exchange contracts	1,608.3	1,500.9
	<u>6,249.1</u>	<u>5,874.6</u>
	<u>6,513.4</u>	<u>6,159.1</u>

11. Other operating expenses

	31 March 2023	31 March 2022
Depreciation and amortisation	2.3	1.9
Equipment expenses	2.2	1.7
Depreciation, amortisation and equipment expenses	<u>4.5</u>	<u>3.6</u>
Communication expenses	1.3	1.1
Regulatory licenses, deposit protection and VAT expenses	1.2	1.2
Premises expenses	0.9	0.9
Professional fees	0.8	0.9
Audit, legal, insurance and board expenses	0.6	0.7
Advertising and public relation expenses	0.5	0.4
Other expenses	0.4	0.7
Other operating expenses	<u>5.7</u>	<u>5.9</u>
	<u>10.2</u>	<u>9.5</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023

Bahraini Dinar Millions

12. Operating segment information

	Retail, Commercial & SMEs		Corporate, Institutional & Investment Banking		Overseas Branches		Treasury, Capital Markets & Wealth Management		Total	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Interest and other income	22.3	22.7	17.2	9.5	3.4	1.1	35.4	17.2	78.3	50.5
Interest expense	(14.4)	(4.9)	(5.7)	(1.6)	(0.5)	(0.2)	(7.7)	(1.3)	(28.3)	(8.0)
Inter-segment interest income / (expense)	22.6	5.4	1.0	-	-	-	(23.6)	(5.4)	-	-
Operating income	30.5	23.2	12.5	7.9	2.9	0.9	4.1	10.5	50.0	42.5
Result	15.6	11.3	7.3	5.2	0.1	(0.7)	3.6	9.0	26.6	24.8
Unallocated corporate expenses									(3.6)	(4.3)
Profit for the period									23.0	20.5

Result above is after direct and indirect cost allocations and the application of impairment provisions to each applicable segment.

The inter-segment interest income / (expense) relates to the internal funds transfer pricing applied between the business segments, the differential to the comparative relates to the increase in market interest rates that occurred after 31 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023

Bahraini Dinar Millions

13. Fair Value Hierarchy

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs which are not based on observable data and for which the unobservable inputs have a significant effect on the instrument's valuation.

The fair value of financial assets and liabilities other than those disclosed below approximate their carrying value.

The following analyses financial assets and liabilities carried at fair value, by valuation method.

	31 March 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair value through profit or loss:								
Equity instruments / managed funds	-	3.8	-	3.8	-	3.9	-	3.9
Debt instruments	-	2.0	-	2.0	-	13.3	-	13.3
Loans and advances	-	-	2.5	2.5	-	-	2.5	2.5
Other assets – investment properties	-	13.7	-	13.7	-	13.7	-	13.7
Fair value through other comprehensive income:								
Debt instruments	377.6	60.9	-	438.5	269.2	60.6	-	329.8
Equity instruments	54.1	-	36.8	90.9	55.8	-	36.6	92.4
Derivative financial assets	-	40.8	-	40.8	-	56.6	-	56.6
	431.7	121.2	39.3	592.2	325.0	148.1	39.1	512.2
Derivative financial liabilities	-	2.0	-	2.0	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2023

Bahraini Dinar Millions

13. Fair value hierarchy (continued)

The following analyses the movement in level 3 financial assets during the period. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy:

	Investment securities		Loans and advances	
	2023	2022	2023	2022
At 1 January	36.6	31.0	2.5	-
Total gains / (losses) in other comprehensive income	<u>0.2</u>	<u>(0.3)</u>	<u>-</u>	<u>-</u>
At 31 March	<u>36.8</u>	<u>30.7</u>	<u>2.5</u>	<u>-</u>

Level 3 comprises unquoted equity investments classified as fair value through other comprehensive income and loans and advances classified as fair value through profit or loss which are measured at their estimated fair value based on the latest financial information by the investee. Sensitivity analysis of the movement in fair value of the financial instruments in the level 3 category financial assets is assessed as not significant to the other comprehensive income and total equity.

14. Cash and cash equivalents

	31 March 2023	31 March 2022
Cash and balances with central banks	185.7	123.6
Less: cash reserve with central banks	<u>(123.7)</u>	<u>(77.6)</u>
	62.0	46.0
Treasury bills	224.0	207.3
Less: treasury bills with an original maturity over 3 months	<u>(224.0)</u>	<u>(197.4)</u>
	<u>-</u>	<u>9.9</u>
Placement with banks and other financial institutions	338.5	474.7
Less: placements with an original maturity over 3 months	<u>(0.1)</u>	<u>(27.5)</u>
	<u>338.4</u>	<u>447.2</u>
	<u>400.4</u>	<u>503.1</u>

The Group's consolidated net stable funding ratio (NSFR) as of 31 March 2023 is 138% (31 December 2022: 139%), while the average LCR for the first quarter of the year stood at 378% (first quarter of 2022: 269%). The Group continues to meet minimum required regulatory liquidity ratios and is also in compliance with the minimum required capital adequacy ratio ("CAR"). Further details on NSFR are presented in note 17.

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15. Shariah-compliant assets and liabilities

The Group's interests in Shariah-compliant financial instruments are aggregated and included in the consolidated balance sheet of the Group:

	31 March 2023	31 December 2022
Assets		
Placement with banks and other financial institutions	52.0	62.6
Loans and advances, net	1,129.4	1,131.4
Investment securities – Sukuk	301.2	300.6
Liabilities		
Due to banks and other financial institutions	212.6	221.4
Borrowings under repurchase agreements	35.0	-
Customer deposits	969.4	963.9

Liabilities are inclusive of equity of investment accountholders.

The above balances are predominantly booked in BISB, the Bank's Islamic subsidiary. Further details on profitability related balances are included in their published financial statements.

16. Net stable funding ratio

The main objective of the NSFR is to promote resilience in the banking system by improving the funding profile of banks by ensuring sufficient level of stable funding in relation to assets and commitments. The NSFR thus promotes banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position. Banks are required to meet a minimum NSFR of 100% on a continuous basis.

The main drivers behind the Group's strong available stable funding (ASF) are the healthy capital base (18% of the Group's ASF), large deposits portfolio with strong contributions from the retail and small business sectors (63% of the Group's ASF) and the sizable corporate and sovereign deposits (19% of the Group's ASF).

The majority of the Group's investment security portfolio is classified as high-quality liquid assets (HQLA). The Group's HQLA securities accounted for 29% of the Group's required stable funding (RSF) before applying the relevant weights. Lending provided to financial institutions in the form of loans or placements was predominantly short-term in nature, which required a lower level of required funding, with 83% of total lending provided to financial institutions being in the less than 6 months maturity bucket.

The NSFR ratio of 138% at 31 March 2023 is largely in line the 31 December 2022 ratio. A marginal increase in ASF was offset by a 1% increase in RSF following a 2% decrease in lending to corporates, SMEs, retails, and sovereigns which was offset by an 8% increase in other assets.

Further details on the calculation of the NSFR are presented in the following tables.

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16. Net stable funding ratio (continued)

31 March 2023	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	
Available stable funding (ASF):					
Capital:					
Regulatory capital	560.7	-	-	27.2	587.9
Retail deposits and deposits from small business customers:					
Stable deposits	-	287.0	7.4	1.4	281.1
Less stable deposits	-	1,733.1	220.6	31.0	1,789.2
Wholesale funding:					
Other wholesale funding	-	1,412.1	376.8	34.2	638.6
Other liabilities:					
NSFR derivative liabilities	-	11.0	-	-	-
All other liabilities not included in above categories	-	147.3	-	10.6	10.6
Total ASF					3,307.4
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	82.9
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	138.9	4.6	23.9	47.0
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs:	-	551.5	152.1	1,554.4	1,673.1
-With a risk weight of less than or equal to 35% under the CBB capital adequacy ratio guidelines	-	-	-	55.4	36.0
Performing residential mortgages, of which:					
-With a risk weight of less than or equal to 35% under the CBB capital adequacy ratio guidelines	-	-	-	87.8	57.0
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	186.1	16.6	108.9
Other assets:					
NSFR derivative liabilities before deduction of variation margin posted	-	0.1	-	-	0.1
All other assets not included in the above categories	338.7	-	-	-	338.7
Off-balance sheet items	-	-	-	-	59.5
Total RSF					2,403.2
NSFR %					138%

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16. Net stable funding ratio (continued)

31 December 2022	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	
Available stable funding (ASF):					
Capital:					
Regulatory capital	596.9	-	-	26.5	623.4
Retail deposits and deposits from small business customers:					
Stable deposits	-	568.5	9.1	1.7	550.4
Less stable deposits	-	1,488.5	252.9	25.8	1,593.0
Wholesale funding:					
Other wholesale funding	-	1,331.9	327.4	25.8	521.0
Other liabilities:					
NSFR derivative liabilities	-	36.9	-	-	-
All other liabilities not included in above categories	-	115.2	-	10.0	10.0
Total ASF					3,297.8
Required stable funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	92.7
Performing loans and securities:					
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	240.0	4.7	25.5	63.9
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs:	-	469.7	107.7	1,677.7	1,714.8
-With a risk weight of less than or equal to 35% under the CBB capital adequacy ratio guidelines	-	-	-	64.0	41.6
Performing residential mortgages, of which:					
-With a risk weight of less than or equal to 35% under the CBB capital adequacy ratio guidelines	-	-	-	76.8	49.9
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	43.3	27.2	46.6
Other assets:					
NSFR derivative liabilities before deduction of variation margin posted	1.4	-	-	-	1.4
All other assets not included in the above categories	309.6	-	-	-	309.6
Off-balance sheet items	-	-	-	-	52.1
Total RSF					2,372.6
NSFR %					139%