

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Al Baraka Islamic Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2023 (UNAUDITED AND REVIEWED)



Review report on the interim condensed consolidated financial statements to the Board of Directors of Al Baraka Islamic Bank B.S.C. (c)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Islamic Bank B.S.C. (c) (the "Bank") and its subsidiary (together the "Group") as at 30 September 2023 and the related interim consolidated statement of income for the three-month and nine-month periods then ended, and the related interim consolidated statements of changes in owners' equity, cash flows and changes in off-balance sheet equity of investment account holders for the nine-month period then ended and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with FAS 41, "Interim Financial Reporting". 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 FAS 41, "Interim Financial Reporting".

A handwritten signature in blue ink that reads "Elias Abi Nakhoul".

Elias Abi Nakhoul
PricewaterhouseCoopers M.E Limited
Partner's registration number: 196
Manama, Kingdom of Bahrain
13 November 2023

Al Baraka Islamic Bank B.S.C. (c)


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023 (Reviewed)

	Notes	Reviewed 30 September 2023 BHD '000	Audited 31 December 2022 BHD '000
ASSETS			
Cash and balances with banks and financial institutions		67,567	61,239
Receivables	3	183,076	169,216
Ijara Muntahia Bittamleek and ijara receivables	4	245,523	211,856
Musharakat	5	60,293	90,270
Investments	6	397,928	423,044
Investments in real estate		3,331	3,331
Investment in joint venture		6,159	6,948
Premises and equipment		34,292	37,065
Goodwill		2,942	3,739
Other assets	7	18,149	19,708
TOTAL ASSETS		1,019,260	1,026,416
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED MUDARABA AND OWNERS' EQUITY			
Liabilities			
Current accounts		90,400	91,631
Murabaha and other payables		174,311	64,767
Other liabilities	8	37,217	42,671
Total liabilities		301,928	199,069
Equity of investment accountholders (IAH)		623,407	721,190
Subordinated mudaraba		4,713	5,881
Equity			
Share capital		57,100	57,100
Additional tier-1 capital		36,192	36,192
Reserves		(10,227)	(6,595)
(Accumulated losses) / retained earnings		(224)	6,093
Equity attributable to parent's shareholders		82,841	92,790
Non-controlling interest		6,371	7,486
Total equity		89,212	100,276
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED MUDARABA AND EQUITY		1,019,260	1,026,416
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		208,438	313,171
CONTINGENCIES AND COMMITMENTS	9	106,736	128,475


 Sabah Khalil Al Moayyed
 Chairperson


 Akram Yassin
 Vice Chairman


 Dr. Adel Abdulla Salem
 Chief Executive Officer

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.


Al Baraka Islamic Bank B.S.C. (c)
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2023 (Reviewed)

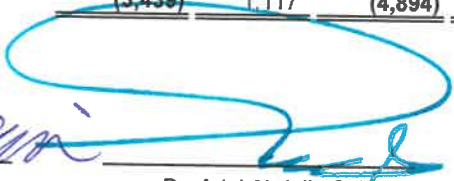
	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023	2022	2023	2022
		BHD '000	BHD '000	BHD '000	BHD '000
INCOME FROM JOINTLY FINANCED ASSETS					
Financings	10	9,678	8,898	28,513	25,678
Investments	11	6,006	5,984	13,821	11,625
Income from jointly financed assets		15,684	14,882	42,334	37,303
Return on equity of investment accountholders before Group's share as a Mudarib		(14,403)	(13,632)	(39,396)	(32,432)
Group's share as a Mudarib		1,127	2,832	3,407	5,825
Return on equity of investment accountholders		(13,276)	(10,800)	(35,989)	(26,607)
Group's share as a Mudarib and Rabalmai		2,408	4,082	6,345	10,696
INCOME FROM SELF FINANCED ASSETS					
Financings	10	721	962	1,916	2,308
Share of income from investment in joint venture		281	425	394	1,138
Investments	11	4,024	2,944	13,344	10,944
Income from self financed assets		5,026	4,331	15,654	14,390
INCOME FROM BANKING SERVICES AND OTHERS					
Revenue from banking services	12	667	739	2,374	2,864
Other income	13	460	597	1,783	1,556
Group's Mudarib / Agency fee from off-balance sheet equity of investment accountholders		15	1	49	16
TOTAL OPERATING INCOME BEFORE OTHER FINANCING COST		8,576	9,750	26,205	29,522
Other financing costs		(2,591)	(636)	(4,940)	(1,270)
TOTAL OPERATING INCOME		5,985	9,114	21,265	28,252
OPERATING EXPENSES					
Staff expenses		(2,993)	(2,885)	(8,885)	(9,060)
Depreciation		(927)	(686)	(2,887)	(2,378)
Other operating expenses		(3,041)	(2,700)	(8,363)	(8,322)
TOTAL OPERATING EXPENSES		(6,961)	(6,271)	(20,135)	(19,760)
NET OPERATING (LOSS) / INCOME		(976)	2,843	1,130	8,492
Allowances for impairment - net	14	(1,734)	(1,270)	(4,168)	(2,416)
NET (LOSS) / INCOME BEFORE TAXATION		(2,710)	1,573	(3,038)	6,076
Taxation		(729)	(456)	(1,856)	(1,048)
(LOSS) / INCOME FOR THE PERIOD		(3,439)	1,117	(4,894)	5,028
Attributable to:					
Equity of the parent's shareholders		(3,730)	818	(6,121)	4,025
Non-controlling interest		291	299	1,227	1,003
		(3,439)	1,117	(4,894)	5,028



Sabah Khalil Al Moayyed
Chairperson



Akram Yaasin
Vice Chairman



Dr. Adel Abdulla Salem
Chief Executive Officer

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine month period ended 30 September 2023 (Reviewed)

	Equity attributable to shareholders of the Parent											
	Share capital	Additional tier -1 capital	Statutory	General	Reserves			Foreign exchange	(Accumulated losses) / retained earnings	Equity attributable to parent's shareholders	Non-controlling interest	Total equity
					Employee defined benefit plan	Cumulative changes in fair value	Revaluation of premises and equipment					
BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000
Balance at 1 January 2023	57,100	36,192	9,847	3,275	(53)	1,494	129	(21,287)	6,093	92,790	7,486	100,276
Cumulative changes in fair value of investments	-	-	-	-	-	263	-	-	-	263	(96)	167
Foreign currency translation reserve	-	-	-	-	-	-	-	(3,900)	-	(3,900)	(2,249)	(6,149)
Movement in actuarial gains	-	-	-	-	5	-	-	-	-	5	3	8
(Loss) / Income for the period	-	-	-	-	-	-	-	-	(6,121)	(6,121)	1,227	(4,894)
Distribution of Zakat	-	-	-	-	-	-	-	-	(196)	(196)	-	(196)
Balance at 30 September 2023	57,100	36,192	9,847	3,275	(48)	1,757	129	(25,187)	(224)	82,841	6,371	89,212
Balance at 1 January 2022	51,445	41,847	9,365	3,275	(37)	1,637	177	(16,206)	1,925	93,428	9,210	102,638
Cumulative changes in fair value of investments	-	-	-	-	-	307	-	-	-	307	(66)	241
Foreign currency translation reserve	-	-	-	-	-	-	-	(5,195)	-	(5,195)	(2,970)	(8,165)
Issuance of ordinary shares	5,655	-	-	-	-	-	-	-	-	5,655	-	5,655
Redemption of Additional Tier 1 capital	-	(5,655)	-	-	-	-	-	-	-	(5,655)	-	(5,655)
Movement in actuarial gains	-	-	-	-	8	-	-	-	-	8	6	14
Income for the period	-	-	-	-	-	-	-	-	4,025	4,025	1,003	5,028
Revaluation of land	-	-	-	-	-	-	(49)	-	-	(49)	(35)	(84)
Distribution of Zakat	-	-	-	-	-	-	-	-	(176)	(176)	-	(176)
Balance at 30 September 2022	57,100	36,192	9,365	3,275	(29)	1,944	128	(21,401)	5,774	92,348	7,148	99,496

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2023 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
	BHD '000	BHD '000
OPERATING ACTIVITIES		
Net (loss) / income before taxation	(3,038)	6,076
Adjustments for :		
Depreciation	2,887	2,378
Allowance for impairment - net	4,168	2,416
Loss on sale of premises and equipment	2	10
Loss / (gain) on sale of investments	420	(384)
Share of income from investment in joint venture	(394)	(1,138)
Operating profit before changes in operating assets and liabilities	4,045	9,358
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	(4,189)	3,891
Receivables	2,952	4,867
Ijara Muntahia Bittamleek and ijara receivables	(34,329)	(28,440)
Musharakat	27,972	32,350
Other assets	2,630	2,938
Other liabilities	(5,479)	(3,355)
Murabaha and other payables	109,545	27,877
Current accounts	(1,231)	(33,524)
Equity of investment account holders	(97,782)	12,024
Tax paid	(2,927)	(449)
Net cash generated from operating activities	1,207	27,537
INVESTING ACTIVITIES		
Purchase of investments	(8,224)	(94,187)
Sale / redemption of investments	32,949	44,374
Dividend received from joint venture	1,183	-
Net (purchase) / sale of premises and equipment	(115)	251
Net cash generated from / (used in) investing activities	25,793	(49,562)
FINANCING ACTIVITIES		
Repayment of subordinated mudaraba	(1,168)	(1,564)
Zakah paid	(196)	(176)
Net cash used in financing activities	(1,364)	(1,740)
Foreign currency translation adjustments	(5,362)	(7,074)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	20,274	(30,839)
Cash and cash equivalents at 1 January	45,440	111,586
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	65,714	80,747

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

Cash on hand	8,551	9,540
Balances with central banks in unrestricted account	10,737	3,770
Balances with other banks and financial institutions (with original maturity of 3 months or less)	11,767	20,441
Receivables - Commodities and Wakala placement with FIs (with original maturity of 3 months or less)	34,659	46,996
	65,714	80,747

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS
For the nine month period ended 30 September 2023 (Reviewed)

	Balance at 1 January 2023 BHD '000	Net deposits/ withdrawals BHD '000	Gross income BHD '000	Mudarib's/ agency fee BHD '000	Balance at 30 September 2023 BHD '000
Wakala Bi Al-Istithmar					
On balance sheet jointly financed assets	241,600	(96,317)	9,010	(2,965)	151,328
	241,600	(96,317)	9,010	(2,965)	151,328
Others					
Receivables	61,305	(17,920)	2,998	(49)	46,334
Investments	10,266	512	-	-	10,778
	71,571	(17,408)	2,998	(49)	57,112
	313,171	(113,725)	12,008	(3,014)	208,440
Wakala Bi Al-Istithmar					
On balance sheet jointly financed assets	194,036	57,560	6,189	(3,237)	254,548
	194,036	57,560	6,189	(3,237)	254,548
Others					
Receivables	44,161	16,410	1,408	(16)	61,963
Investments	15,604	(6,392)	-	-	9,212
	59,765	10,018	1,408	(16)	71,175
	253,801	67,578	7,597	(3,253)	325,723

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Banking license number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has five commercial branches in the Kingdom of Bahrain. The Bank is 92.81% (2022: 92.81%) owned by Al Baraka Group B.S.C. (the "Ultimate Parent").

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha finance, Ijara and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

Tier 1 Capital amounting to US \$ 15m was redeemed on 3 August 2022. The extraordinary general assembly (EGA) of the Ultimate Parent has approved increasing the share capital of Bank by 150,000 shares for the par value of US \$ 100 and to amend the memorandum and the articles of association. The CBB has approved the request through their letter dated 6 July 2022 where the issued and paid-up capital is increased from US \$ 136,457,800 to US \$ 151,457,800 with the full amount of US \$ 15,000,000 allocated to the Ultimate Parent. The Ultimate Parent injected the cash relating to the share capital increase on 4 August 2022. The formalities relating to the Ministry of Industry and Commerce around updating of the Commercial Registration are pending finalization.

These interim condensed consolidated financial statements were approved by the Board of Directors on 13 November 2023.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements of the Group are 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 Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI). In accordance with the AAOIFI framework, for matters not covered by FAS, the Group uses the requirements of the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This framework is referred to as "FAS issued by AAOIFI". Accordingly, the interim condensed consolidated financial statements of the Group has been presented in condensed form in accordance with the guidance provided by Financial Accounting Standard 41 - Interim Financial Reporting, which came into effect for financial periods beginning on or after 1 January 2023.

There are no major differences between FAS 41 "Interim Financial Reporting" and IAS 34 - Interim Financial Reporting, which was the basis of preparation used for the interim condensed consolidated financial statements for the nine-month period ended 30 September 2023.

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2022. In addition, results for the nine month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Regulatory non-compliance - CBB rule book volume 2 - High level standards

Rule LR-2.5.2A requires all Bahraini Islamic retail bank licensees to maintain a minimum total equity of BHD 100 million (equivalent to US \$ 265.3 million). The Bank is in breach of this rule as at 30 September 2023 as the equity stood at BHD 89.2 million (US \$ 236.6 million) as of that date. The Bank continues to focus on its capital structure in order to resolve this breach of the CBB requirements. The Bank has prepared a capitalization plan and submitted to CBB on 30 November 2021 to improve the core capital and overall equity level in the Bank. In this regards, the Bank has implemented two core initiatives (conversion of CET 1 and swap of Itqan Capital Company) and working on third initiative, which will result in significant improvement in overall equity levels. Alongside, the Bank is engaged with holding company to explore various options to increase the equity and re-instate compliance with minimum capital requirements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2022 except for the changes due to adoption of new and amended standards as set out in note 2.5.

2.3 Accounting convention

The interim condensed consolidated financial statements are prepared on a historical cost basis, except for investment in real estate, equity-type instruments through equity, debt type instruments through equity, debt type instruments through income statement and land owned by the Bank (classified as premises and equipment) that have been measured at fair value.

The interim condensed consolidated financial statements are presented in Bahraini Dinars (BHD), being the reporting currency of the Bank. All values are rounded to nearest Bahraini Dinars (BHD) thousand unless otherwise indicated. The functional currency of the Bank is Bahraini Dinars and that of the subsidiary is Pakistani Rupees. Items included in the financial statements of each entity are measured using respective functional currency.

2.4 Basis of consolidation

These interim condensed consolidated financial statements include the interim condensed financial statements of the Bank and its subsidiary.

The following is the subsidiary of the Bank, which is consolidated in these interim condensed consolidated financial statements:

	<i>Ownership for 2023 / 2022</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 30 September 2023</i>
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited	59.13%	2004	Pakistan	170

2.5 New standards, interpretations and amendments adopted by the Group

During the period, the Group applied the following standards and amendments to standards in preparation of these interim condensed consolidated financial statements. The adoption of the below standards and amendments to standards did not result in changes to previously reported net income or equity of the Group, however, may result in additional disclosures at year end.

2.5.1 FAS 39 - Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 on "Zakah" and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The accounting and financial reporting requirements such as recognition, presentation and disclosure requirements of this standard shall apply to institutions that are obliged to pay Zakah on behalf of certain or all stakeholders. Institutions that are not obliged to pay Zakah shall apply the disclosure requirements of this standard for certain or all stakeholders, as relevant.

2.5.2 FAS 41 - Interim Financial Reporting

The objective of this standard is to set out the principles for interim financial reporting for all institutions having adopted AAOIFI FASs and it should be read with other AAOIFI FASs and generally accepted accounting principles, applicable in relevant jurisdictions. The standard applies to institutions that elect to publish or are required to publish interim financial reports according to applicable laws, regulations, or practices.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

2.6.1 FAS 1 (Revised 2021) - General Presentation and Disclosures in the Financial Statements

AAOIFI has issued revised FAS 1 in 2021. The revised FAS 1 supersedes the earlier FAS 1 General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements. This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted.

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

Some of the significant revisions to the standard are as follows:

- a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
- b) Definition of Quasi equity is introduced;
- c) Definitions have been modified and improved;
- d) Concept of comprehensive income has been introduced;
- e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
- f) Disclosure of Zakah and Charity have been relocated to the notes;
- g) True and fair override has been introduced;
- h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
- i) Disclosures of related parties, subsequent events and going concern have been improved;
- j) Improvement in reporting for foreign currency, segment reporting;
- k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FASs; and
- l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statements.

2.6.2 FAS 40 - Financial Reporting for Islamic Finance Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services Offered by Conventional Financial Institutions". This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted. The Group is currently evaluating the impact of this standard.

2.6.3 FAS 42 - Presentation and disclosures in the Financial Statements of Takaful Institutions

AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies". The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari'a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 43 – Accounting for Takaful: Recognition and Measurement. The Group is currently evaluating the impact of this standard.

2.6.4 FAS 43 - Accounting for Takaful: Recognition and Measurement

AAOIFI has issued FAS 43 in 2022. The objective of this standard is to set out the principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. The standard should be read in conjunction with FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions. The Group is currently evaluating the impact of this standard.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

3 RECEIVABLES

	<i>Reviewed</i> 30 September 2023			<i>Audited</i> 31 December 2022		
	<i>Self financed</i> <i>BHD '000</i>	<i>Jointly financed</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>	<i>Self financed</i> <i>BHD '000</i>	<i>Jointly financed</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
Commodities and Wakala placement with financial institutions	34,659	-	34,659	-	16,522	16,522
Salam financing	-	10,770	10,770	-	14,138	14,138
Istisna'a financing	-	34,342	34,342	-	40,672	40,672
Murabaha financing	424	134,511	134,935	424	130,318	130,742
Bills receivables and other financing	-	6,567	6,567	-	5,961	5,961
Gross receivable	35,083	186,190	221,273	424	207,611	208,035
Deferred profits	-	(15,340)	(15,340)	-	(14,318)	(14,318)
	35,083	170,850	205,933	424	193,293	193,717
Less: Allowance for expected credit losses (3.1)	(296)	(22,561)	(22,857)	(250)	(24,251)	(24,501)
Net receivables	34,787	148,289	183,076	174	169,042	169,216

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses ("ECL").

	<i>Reviewed</i> 30 September 2023				<i>Audited</i> 31 December 2022			
	<i>Stage 1</i> <i>BHD '000</i>	<i>Stage 2</i> <i>BHD '000</i>	<i>Stage 3</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>	<i>Stage 1</i> <i>BHD '000</i>	<i>Stage 2</i> <i>BHD '000</i>	<i>Stage 3</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
Good (1-4)	88,438	6,910	-	95,348	88,897	8,526	-	97,423
Satisfactory (5-7)	62,430	20,693	-	83,123	51,491	20,398	-	71,889
Default (8-10)	-	-	27,462	27,462	-	-	24,405	24,405
	150,868	27,603	27,462	205,933	140,388	28,924	24,405	193,717

3.1 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	<i>Reviewed</i> 30 September 2023			
	<i>Stage 1: 12-month ECL</i> <i>BHD '000</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i> <i>BHD '000</i>	<i>Stage 3: Lifetime ECL credit-impaired</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
Balance at 1 January	613	3,427	20,461	24,501
Changes during the period:				
- transferred to Stage 1: 12 month ECL	28	(26)	(2)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(48)	80	(32)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(527)	527	-
Net remeasurement of loss allowance	144	378	872	1,394
Recoveries / write-backs	-	-	(71)	(71)
	124	(95)	1,294	1,323
FX translation	(9)	(30)	(2,928)	(2,967)
Balance at 30 September	728	3,302	18,827	22,857

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

3 RECEIVABLES (continued)

3.1 Allowances for expected credit losses (continued)

	<i>Audited</i>			<i>Total</i>
	<i>31 December 2022</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>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Balance at 1 January	782	3,071	24,739	28,592
Changes during the year:				
- transferred to Stage 1: 12 month ECL	-	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(35)	86	(51)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(11)	11	-
Net remeasurement of loss allowance	(120)	323	2,247	2,450
Recoveries / write-backs	-	-	(1,101)	(1,101)
	(155)	398	1,106	1,349
Amounts written off during the year	-	-	(1,660)	(1,660)
FX translation	(14)	(42)	(3,724)	(3,780)
Balance at 31 December	613	3,427	20,461	24,501

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	<i>Reviewed</i>			<i>Audited</i>		
	<i>30 September 2023</i>			<i>31 December 2022</i>		
	<i>Self financed</i>	<i>Jointly financed</i>	<i>Total</i>	<i>Self financed</i>	<i>Jointly financed</i>	<i>Total</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Ijara muntahia bittamleek	3,443	226,107	229,550	4,087	195,268	199,355
Ijara income receivables	1,533	17,967	19,500	1,379	14,070	15,449
	4,976	244,074	249,050	5,466	209,338	214,804
Less: Allowance for expected credit losses (4.1)	(52)	(3,475)	(3,527)	(67)	(2,881)	(2,948)
	4,924	240,599	245,523	5,399	206,457	211,856

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses.

	<i>Reviewed</i>				<i>Audited</i>			
	<i>30 September 2023</i>				<i>31 December 2022</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Good (1-4)	225,790	67	-	225,857	204,256	1,238	-	205,494
Satisfactory (5-7)	14,743	2,335	-	17,078	1,052	2,491	-	3,543
Default (8-10)	-	-	6,115	6,115	-	-	5,767	5,767
	240,533	2,402	6,115	249,050	205,308	3,729	5,767	214,804

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

4.1 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	<i>Reviewed</i> 30 September 2023			
	<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>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Balance at 1 January	240	43	2,665	2,948
Changes during the period:				
- transferred to Stage 1: 12 month ECL	6	(6)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(10)	10	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(1)	(3)	4	-
Net remeasurement of loss allowance	150	200	691	1,041
Recoveries / write-backs	-	-	(378)	(378)
Allowances for expected credit losses	145	201	317	663
FX translation	-	-	(84)	(84)
Balance at 30 September	385	244	2,898	3,527

	<i>Audited</i> 31 December 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>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Balance at 1 January	293	18	3,031	3,342
Changes during the year:				
- transferred to Stage 1: 12 month ECL	-	-	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(31)	31	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(2)	2	-
Net remeasurement of loss allowance	(22)	(4)	326	300
Recoveries / write-backs	-	-	(318)	(318)
	(53)	25	10	(18)
Amounts written off during the year	-	-	(187)	(187)
FX translation	-	-	(189)	(189)
Balance at 31 December	240	43	2,665	2,948

5 MUSHARAKAT

	<i>Reviewed</i> 30 September 2023			<i>Audited</i> 31 December 2022		
	<i>Self financed</i>	<i>Jointly financed</i>	<i>Total</i>	<i>Self financed</i>	<i>Jointly financed</i>	<i>Total</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Musharakat	8,589	56,922	65,511	12,071	82,282	94,353
Less: Allowance for expected credit losses (5.1)	-	(5,218)	(5,218)	-	(4,083)	(4,083)
	8,589	51,704	60,293	12,071	78,199	90,270

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

5 MUSHARAKAT (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses.

	<i>Reviewed</i> 30 September 2023				<i>Audited</i> 31 December 2022			
	<i>Stage 1</i> <i>BHD '000</i>	<i>Stage 2</i> <i>BHD '000</i>	<i>Stage 3</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>	<i>Stage 1</i> <i>BHD '000</i>	<i>Stage 2</i> <i>BHD '000</i>	<i>Stage 3</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
Good (1-4)	41,193	6,134	-	47,327	81,012	3,919	-	84,931
Satisfactory (5-7)	2,058	12,527	-	14,585	2,673	3,227	-	5,900
Default (8-10)	-	-	3,599	3,599	-	-	3,522	3,522
	43,251	18,661	3,599	65,511	83,685	7,146	3,522	94,353

5.1 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	<i>Reviewed</i> 30 September 2023			
	<i>Stage 1: 12-month ECL</i> <i>BHD '000</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i> <i>BHD '000</i>	<i>Stage 3: Lifetime ECL credit-impaired</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
Balance at 1 January	739	769	2,575	4,083
Changes during the period:				
- transferred to Stage 1: 12 month ECL	23	(23)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(28)	28	-	-
Net remeasurement of loss allowance	336	717	953	2,006
Allowances for expected credit losses	331	722	953	2,006
FX translation	(137)	(185)	(549)	(871)
Balance at 30 September	933	1,306	2,979	5,218
	<i>Audited</i> 31 December 2022			
	<i>Stage 1: 12-month ECL</i> <i>BHD '000</i>	<i>Stage 2: Lifetime ECL not credit-impaired</i> <i>BHD '000</i>	<i>Stage 3: Lifetime ECL credit-impaired</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
Balance at 1 January	648	857	2,342	3,847
Changes during the year:				
- transferred to Stage 1: 12 month ECL	32	(32)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(61)	61	-	-
Net remeasurement of loss allowance	262	72	750	1,084
Recoveries / write-backs	-	-	-	-
	233	101	750	1,084
FX translation	(142)	(189)	(517)	(848)
Balance at 31 December	739	769	2,575	4,083

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

6 INVESTMENTS

	<i>Reviewed</i>			<i>Audited</i>		
	<i>30 September 2023</i>			<i>31 December 2022</i>		
	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>	<i>Self financed BHD '000</i>	<i>Jointly financed BHD '000</i>	<i>Total BHD '000</i>
i) Equity-type instruments at fair value through equity						
Quoted						
Listed equity shares	11,310	80	11,390	11,072	91	11,163
Unquoted						
Unlisted equity shares	3,362	152	3,514	3,362	193	3,555
Managed funds	377	-	377	377	-	377
Real estate funds	-	7,633	7,633	617	7,688	8,305
	15,049	7,865	22,914	15,428	7,972	23,400
Less: Provision for impairment	(1,129)	(98)	(1,227)	(1,761)	(125)	(1,886)
Total equity investments	13,920	7,767	21,687	13,667	7,847	21,514
ii) Debt-type instruments at fair value through equity (6.1)						
Quoted						
Sukuk	84,148	78,624	162,772	94,503	84,971	179,474
Unquoted						
Sukuk	-	7,366	7,366	4,646	2,737	7,383
	84,148	85,990	170,138	99,149	87,708	186,857
iii) Debt-type instruments at amortised cost (6.1)						
Quoted						
Sukuk	108,270	74,094	182,364	126,298	62,978	189,276
Unquoted						
Sukuk	-	24,072	24,072	1,024	24,492	25,516
	108,270	98,166	206,436	127,322	87,470	214,792
Less: Allowance for expected credit losses (6.2)	(184)	(149)	(333)	(85)	(34)	(119)
Total debt-type investments	192,234	184,007	376,241	226,386	175,144	401,530
Total investments	206,154	191,774	397,928	240,053	182,991	423,044

Within unquoted investments which are held at fair value through equity are investments amounting to BHD 10.6 million (2022: BHD 10.8 million) which are held at cost less allowance for impairment. These are mainly investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies and structured products. The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

The Group's investments in sukuk held at amortised cost amounting to BHD 198 million (2022: BHD 214.8 million) have a fair value amounting to BHD 206.1 million (2022: BHD 207.1 million).

Investments stated at a carrying amount of Nil (2022: BHD 181.6 million) are placed in custody of a financial institution to secure a financing line.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

6 INVESTMENTS (continued)

6.1 Debt-type instruments

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification. The amounts presented are gross of expected credit losses.

	<i>Reviewed</i> 30 September 2023				<i>Audited</i> 31 December 2022			
	<i>Stage 1</i> <i>BHD '000</i>	<i>Stage 2</i> <i>BHD '000</i>	<i>Stage 3</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>	<i>Stage 1</i> <i>BHD '000</i>	<i>Stage 2</i> <i>BHD '000</i>	<i>Stage 3</i> <i>BHD '000</i>	<i>Total</i> <i>BHD '000</i>
Good (1-4)	170,141	-	-	170,141	191,807	-	-	191,807
Satisfactory (5-7)	206,433	-	-	206,433	209,842	-	-	209,842
	376,574	-	-	376,574	401,649	-	-	401,649

6.2 Allowances for expected credit losses

An analysis of the changes in ECL allowances, is as follows:

	<i>Reviewed</i> 30 September 2023
	<i>Stage 1: 12 month ECL BHD '000</i>
Balance at 1 January	119
Changes during the period:	
Net remeasurement of loss allowance	215
FX translation	(1)
Balance at 30 September	333
	<i>Audited</i> 31 December 2022
	<i>Stage 1: 12- month ECL BHD '000</i>
Balance at 1 January	168
Changes during the year:	
Net remeasurement of loss allowance	(48)
FX translation	(1)
Balance at 31 December	119

7 OTHER ASSETS

	<i>Reviewed</i> 30 September 2023 <i>BHD '000</i>	<i>Audited</i> 31 December 2022 <i>BHD '000</i>
Collaterals pending sale	3,563	4,138
Deferred tax (7.1)	5,029	5,029
Advance against capital expenditure	1,557	1,638
Accounts receivable	6,651	7,547
Income receivable	5	1
Prepayments	1,691	1,235
Others	182	787
	18,678	20,375
Less: Provision for impairment	(529)	(667)
	18,149	19,708

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

7 OTHER ASSETS (continued)

7.1 The net deferred tax asset has been recognised in accordance with the Group's accounting policy. The management based on recent financial projections prepared, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

8 OTHER LIABILITIES

	<i>Reviewed</i> 30 September 2023 BHD '000	<i>Audited</i> 31 December 2022 BHD '000
Margins received	10,960	8,711
Accounts payable	6,484	10,116
Bills payable	10,151	11,951
Security deposit against Ijara muntahia bittamleek	97	136
Provision for employees benefits	2,676	3,356
Allowance for expected credit losses-unfunded facilities	67	35
Charity fund	242	149
Operating ijara liability	2,494	3,078
Others	4,046	5,139
	37,217	42,671

9 CONTINGENCIES AND COMMITMENTS

	<i>Reviewed</i> 30 September 2023 BHD '000	<i>Audited</i> 31 December 2022 BHD '000
Letters of credit	31,804	23,666
Guarantees	32,295	40,447
Foreign exchange contracts	37,441	58,894
Acceptances	2,434	3,932
Taxation	2,758	1,528
Others	4	8
	106,736	128,475

10 INCOME FROM FINANCING

	<i>Nine months ended</i> 30 September	
	2023 BHD '000	2022 BHD '000
Income from receivables	10,865	9,909
Income from musharaka	9,945	10,625
Income from ijarah muntahia bittamleek	9,619	7,452
	30,429	27,986
Income from jointly financed financing assets	28,513	25,678
Income from self financed financing assets	1,916	2,308
	30,429	27,986

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

11 INCOME FROM INVESTMENTS

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
	BHD '000	BHD '000
Yield, coupon or return on investments	26,742	20,879
(Loss) / gain on sale of investments	(420)	384
Dividend income	788	1,219
Income from properties	55	87
	27,165	22,569
Income from jointly financed investments	13,821	11,625
Income from self financed investments	13,344	10,944
	27,165	22,569

12 REVENUE FROM BANKING SERVICES

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
	BHD '000	BHD '000
Fees and commissions	2,059	1,986
Letters of credit and acceptances	171	539
Guarantees	144	339
	2,374	2,864

13 OTHER INCOME

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
	BHD '000	BHD '000
Foreign exchange gain - net	830	1,170
Others	953	386
	1,783	1,556

14 ALLOWANCES FOR IMPAIRMENT - NET

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
	BHD '000	BHD '000
(Charge) / reversal against:		
Receivables	(1,323)	(1,633)
Ijara Muntahia Bittamleek and ijara receivables	(663)	7
Musharakat	(2,006)	(943)
Investments - debt type	(215)	47
Investments - equity type	75	74
Off balance sheet items	(35)	41
Other assets	(1)	(9)
	(4,168)	(2,416)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

15 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries represent operations in Pakistan.

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements. Transactions between segments are conducted at estimated market rates.

The segmental results of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	30 September 2023	<i>31 December 2022</i>	30 September 2023	<i>31 December 2022</i>	30 September 2023	<i>31 December 2022</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Assets	694,682	638,750	324,578	387,666	1,019,260	1,026,416
Liabilities, equity of investment accountholders and subordinated debts	631,165	567,689	298,883	358,451	930,048	926,140
	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2023	<i>2022</i>	2023	<i>2022</i>	2023	<i>2022</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Total operating income	6,403	14,593	14,862	13,659	21,265	28,252
Total operating expenses	(12,308)	(10,898)	(7,827)	(8,862)	(20,135)	(19,760)
Allowance for impairment - net	(1,991)	(1,121)	(2,177)	(1,295)	(4,168)	(2,416)
Taxation	-	-	(1,856)	(1,048)	(1,856)	(1,048)
Net (loss) / income for the period	(7,896)	2,574	3,002	2,454	(4,894)	5,028

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

16 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group, Shari'a supervisory board and external auditors.

The significant balances with related parties were as follows:

	<i>Parent and other</i>		<i>Other related parties</i>		<i>Total</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Assets:						
Cash and balances with banks and financial institutions	4	1	17	17	21	18
Receivables	-	-	272	315	272	315
Musharaka	-	-	485	516	485	516
Investments	10,086	9,592	9,223	10,104	19,309	19,696
Other assets	2,795	2,360	-	-	2,795	2,360
	12,885	11,953	9,997	10,952	22,882	22,905
Liabilities:						
Current accounts	1,628	2,432	852	729	2,480	3,161
Other liabilities	1,857	1,857	82	353	1,939	2,210
	3,485	4,289	934	1,082	4,419	5,371
Equity of investment accountholders	23,890	12,479	16,558	10,073	40,448	22,552
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	10,680	10,266	46,432	61,306	57,112	71,572
Contingencies and commitments	754	754	-	395	754	1,149

The transactions with the related parties included in the interim consolidated statement of income are as follows:

	<i>Parent and other</i>		<i>Other related parties</i>		<i>Total</i>	
	<i>Nine months ended</i>		<i>Nine months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>	<i>BHD '000</i>
Income						
Income from jointly financed sales	-	-	22	22	22	22
Income from jointly financed, other financings and investments	-	-	10	10	10	10
Group's income from self financed, other financings and investments	-	-	862	-	862	-
Other income	634	90	2	-	636	90
	634	90	896	32	1,530	122
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	243	43	691	173	934	216
Other expenses	-	66	880	860	880	926
	243	109	1,571	1,033	1,814	1,142

16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
	BHD '000	BHD '000
Salaries	1,437	1,385
Other benefits	627	585
	<u>2,064</u>	<u>1,970</u>

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place 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).

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

18 SUBSEQUENT EVENTS

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the interim condensed consolidated financial statements as at and for the nine month period ended 30 September 2023.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

19 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY

The Net Stable Funding Ratio ('NSFR') is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by the CBB and is effective from December 2019. The minimum NSFR ratio as per CBB is 100%. The Group's consolidated NSFR ratio as of 30 September 2023 is 228.28%.

The NSFR (as a percentage) must be calculated as follows:

Item	Unweighted values (i.e. before applying relevant factors)				Total weighted value BHD '000
	No specified maturity BHD '000	Less than 6 months BHD '000	More than 6 months and less than one year BHD '000	Over one year BHD '000	
Available Stable Funding (ASF):					
Capital:	86,491	-	-	4,620	91,111
Regulatory capital	86,491	-	-	-	86,491
Other capital instruments	-	-	-	4,620	4,620
Retail deposits and deposits from small business customers:	-	286,567	41,734	37,569	333,306
Stable deposits	-	4,400	46	-	4,268
Less stable deposits	-	282,167	41,688	37,569	329,038
Wholesale funding:	-	358,857	79,971	1,969	161,875
Operational deposits	-	-	-	387	387
Other wholesale funding	-	358,857	79,971	1,582	161,488
Other liabilities:	-	-	-	40,895	40,895
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	40,895	40,895
Total ASF	86,491	645,424	121,705	85,053	627,187
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	337,803	-	-	-	17,377
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing financing and sukuk/securities:	-	-	-	-	-
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	64,292	-	31,383	41,027

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2023 (Reviewed)

19 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value
	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	68,101	29,367	-	48,734
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:					
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	119,186	77,471
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	10,647	9,050
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR Shari'a-compliant hedging assets	-	-	-	-	-
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	77,212	-	-	-	77,212
OBS items	77,465	-	-	-	3,873
Total RSF	492,480	132,393	29,367	161,216	274,744
NSFR (%)					228.28%