

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
Al Baraka Islamic Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 September 2022 (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)*

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### *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 2022 and the related interim consolidated statement of income for the three-month and nine-month periods ended 30 September 2022 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 the explanatory notes. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the basis of preparation stated in note 2 to these interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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### *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.

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### *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 the basis of preparation stated in note 2 to these interim condensed consolidated financial statements.

Elias Abi Nakhoul  
PricewaterhouseCoopers M.E Limited  
Partner's registration number: 196  
Manama, Kingdom of Bahrain  
10 November 2022


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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022 (Reviewed)

	Notes	Reviewed 30 September 2022 BHD '000	Audited 31 December 2021 BHD '000
<b>ASSETS</b>			
Cash and balances with banks and financial institutions		62,361	117,854
Receivables	3	197,194	182,934
Ijara Muntahia Bittamleek and ijara receivables	4	202,423	173,976
Musharaka	5	90,749	124,040
Investments	6	470,620	419,837
Other assets	7	21,406	24,192
Investments in real estate		3,368	3,592
Investment in joint venture		8,188	7,050
Premises and equipment		18,525	21,248
Goodwill		3,706	4,796
<b>TOTAL ASSETS</b>		<b>1,078,540</b>	<b>1,079,519</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED MUDARABA AND EQUITY</b>			
<b>Liabilities</b>			
Current accounts		99,719	133,241
Murabaha and other payables		119,587	91,710
Other liabilities	8	38,687	41,337
<b>Total liabilities</b>		<b>257,993</b>	<b>266,288</b>
<b>Equity of investment accountholders (IAH)</b>		<b>715,286</b>	<b>703,262</b>
<b>Subordinated Mudaraba</b>		<b>5,765</b>	<b>7,329</b>
<b>Equity</b>			
Share capital	1	57,100	51,445
Additional tier-1 capital	1	36,192	41,847
Reserves		(6,718)	(1,791)
Retained earnings		5,774	1,929
<b>Equity attributable to parent's shareholders</b>		<b>92,348</b>	<b>93,430</b>
Non-controlling interest		7,148	9,210
<b>Total equity</b>		<b>99,496</b>	<b>102,640</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED MUDARABA AND EQUITY</b>		<b>1,078,540</b>	<b>1,079,519</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>325,723</b>	<b>253,801</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9	<b>130,666</b>	<b>188,858</b>

  
Saleh Salman Al Kawari  
Chairman

  
Hamad Abdulla Aloqab  
Chief Executive Officer and Board Member

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 three and nine month periods ended 30 September 2022 (Reviewed)

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2022	2021	2022	2021
		BHD '000	BHD '000	BHD '000	BHD '000
<b>INCOME FROM JOINTLY FINANCED ASSETS</b>					
Financings	10	8,898	7,710	25,678	22,772
Investments	11	5,984	1,434	11,625	4,237
<b>Income from jointly financed assets</b>		<b>14,882</b>	<b>9,144</b>	<b>37,303</b>	<b>27,009</b>
Return on equity of investment accountholders before Group's share as a Mudarib		(13,632)	(7,740)	(32,432)	(23,241)
Group's share as a Mudarib		2,832	2,080	5,825	6,946
<b>Return on equity of investment accountholders Group's share as a Mudarib and Rabalmal</b>		<b>(10,800)</b>	<b>(5,660)</b>	<b>(26,607)</b>	<b>(16,295)</b>
<b>Income from self financed assets</b>		<b>4,082</b>	<b>3,484</b>	<b>10,696</b>	<b>10,714</b>
<b>INCOME FROM SELF FINANCED ASSETS</b>					
Financings	10	962	716	2,308	1,881
Share of income / (loss) from investment in joint venture		425	113	1,138	78
Investments	11	2,944	3,702	10,944	11,880
<b>Income from self financed assets</b>		<b>4,331</b>	<b>4,531</b>	<b>14,390</b>	<b>13,839</b>
<b>INCOME FROM BANKING SERVICES AND OTHERS</b>					
Revenue from banking services	12	739	1,109	2,864	3,322
Other income	13	597	504	1,556	1,675
Group's Mudarib / Agency fee from off-balance sheet equity of investment account holders		1	-	16	18
<b>TOTAL OPERATING INCOME BEFORE OTHER FINANCING COST</b>		<b>9,750</b>	<b>9,628</b>	<b>29,522</b>	<b>29,568</b>
Other financing cost		(636)	(587)	(1,270)	(1,628)
<b>TOTAL OPERATING INCOME</b>		<b>9,114</b>	<b>9,041</b>	<b>28,252</b>	<b>27,940</b>
<b>OPERATING EXPENSES</b>					
Staff expenses		(2,885)	(3,089)	(9,060)	(9,233)
Depreciation		(686)	(1,016)	(2,378)	(2,901)
Other operating expenses		(2,700)	(2,218)	(8,322)	(7,067)
<b>TOTAL OPERATING EXPENSES</b>		<b>(6,271)</b>	<b>(6,323)</b>	<b>(19,760)</b>	<b>(19,201)</b>
<b>NET OPERATING INCOME</b>		<b>2,843</b>	<b>2,718</b>	<b>8,492</b>	<b>8,739</b>
Allowance for impairment - net	14	(1,270)	(461)	(2,416)	(3,433)
<b>NET INCOME BEFORE TAXATION</b>		<b>1,573</b>	<b>2,257</b>	<b>6,076</b>	<b>5,306</b>
Taxation		(456)	(477)	(1,048)	(1,679)
<b>INCOME FOR THE PERIOD</b>		<b>1,117</b>	<b>1,780</b>	<b>5,028</b>	<b>3,627</b>
Attributable to:					
Equity shareholders of the Parent		818	1,336	4,025	3,037
Non-controlling interest		299	444	1,003	590
		<b>1,117</b>	<b>1,780</b>	<b>5,028</b>	<b>3,627</b>

  
 Saleh Salman Al Kawari  
 Chairman

  
 Hamad Abdulla Aloqab  
 Chief Executive Officer and Board  
 Member

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 2022 (Reviewed)

	Equity attributable to parent's shareholders											Total owners' equity BHD '000
	Reserves										Non-controlling interest BHD '000	
	Share capital BHD '000	Additional Tier1 capital BHD '000	Statutory BHD '000	General BHD '000	Employee defined benefit plan BHD '000	Cumulative changes in fair value BHD '000	Revaluation of premises and equipment BHD '000	Foreign exchange BHD '000	Retained earnings BHD '000	Equity attributable to parent's shareholders BHD '000		
<b>Balance at 1 January 2022</b>	<b>51,445</b>	<b>41,847</b>	<b>9,365</b>	<b>3,275</b>	<b>(37)</b>	<b>1,637</b>	<b>177</b>	<b>(16,206)</b>	<b>1,925</b>	<b>93,428</b>	<b>9,210</b>	<b>102,638</b>
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 Tier1 capital	-	(5,655)	-	-	-	-	-	-	-	(5,655)	-	(5,655)
Movement in actuarial gain and losses	-	-	-	-	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)
<b>Balance at 30 September 2022</b>	<b>57,100</b>	<b>36,192</b>	<b>9,365</b>	<b>3,275</b>	<b>(29)</b>	<b>1,944</b>	<b>128</b>	<b>(21,401)</b>	<b>5,774</b>	<b>92,348</b>	<b>7,148</b>	<b>99,496</b>
Balance at 1 January 2021	51,445	41,847	8,984	3,275	(35)	588	-	(13,702)	(1,320)	91,082	9,739	100,821
Cumulative changes in fair value of investments	-	-	-	-	-	642	-	-	-	642	(104)	538
Foreign currency translation reserve	-	-	-	-	-	-	-	(1,680)	-	(1,680)	(972)	(2,652)
Movement in actuarial gain and losses	-	-	-	-	2	-	-	-	-	2	2	4
Income for the period	-	-	-	-	-	-	-	-	3,037	3,037	590	3,627
Distribution of Zakat	-	-	-	-	-	-	-	-	(175)	(175)	-	(175)
<b>Balance at 30 September 2021</b>	<b>51,445</b>	<b>41,847</b>	<b>8,984</b>	<b>3,275</b>	<b>(33)</b>	<b>1,230</b>	<b>-</b>	<b>(15,382)</b>	<b>1,542</b>	<b>92,908</b>	<b>9,255</b>	<b>102,163</b>

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2022 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2022</b>	<b>2021</b>
<i>Note</i>	<b>BHD '000</b>	<b>BHD '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income before taxation	<b>6,076</b>	5,306
Adjustments for :		
Depreciation	<b>2,378</b>	2,901
Allowance for impairment - net	<b>2,416</b>	3,433
Loss / (gain) on sale of premises and equipment	<b>10</b>	(9)
Gain on sale of investments	<b>(384)</b>	(1,464)
Share of income from investment in joint venture	<b>(1,138)</b>	(79)
Operating profit before changes in operating assets and liabilities	<b>9,358</b>	10,088
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	<b>3,891</b>	(9,545)
Receivables	<b>4,867</b>	(15,211)
Ijara Muntahia Bittamleek and ijara receivables	<b>(28,440)</b>	(37,777)
Musharaka	<b>32,350</b>	(16,292)
Other assets	<b>2,938</b>	(4,834)
Other liabilities	<b>(3,531)</b>	1,356
Murabaha and other payables	<b>27,877</b>	37,393
Current accounts	<b>(33,524)</b>	(22,901)
Equity of investment accountholders	<b>12,024</b>	13,891
Tax paid	<b>(449)</b>	(612)
Net cash generated from / (used in) operating activities	<b>27,361</b>	(44,444)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	<b>(94,187)</b>	(129,959)
Sale / redemption of investments	<b>44,374</b>	110,786
Net sale / (purchase) of premises and equipment	<b>251</b>	(669)
Net cash used in investing activities	<b>(49,562)</b>	(19,842)
<b>FINANCING ACTIVITIES</b>		
Subordinated debts	<b>(1,564)</b>	(1,288)
Net cash used in financing activities	<b>(1,564)</b>	(1,288)
Foreign currency translation adjustments	<b>(7,074)</b>	(2,316)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(30,839)</b>	(67,890)
Cash and cash equivalents at 1 January	<b>111,586</b>	144,310
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>80,747</b>	76,420
For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:		
Cash on hand	<b>9,540</b>	13,904
Balances with central banks in unrestricted account	<b>3,770</b>	4,878
Balances with other banks and financial institutions (FI) (with original maturity of 3 months or less)	<b>20,441</b>	16,689
Receivables - Commodities and Wakala placement with FIs (with original maturity of 3 months or less)	<b>46,996</b>	40,949
	<b>80,747</b>	76,420

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 2022 (Reviewed)

	<i>Balance at 1 January 2022 BHD '000</i>	<i>Net deposits/ withdrawals BHD '000</i>	<i>Gross income BHD '000</i>	<i>Mudarib's/ agency fee BHD '000</i>	<i>Balance at 30 September 2022 BHD '000</i>
<b>Wakala Bi Al-Istithmar</b>					
On balance sheet jointly financed assets	194,036	57,560	6,189	(3,237)	254,548
	<u>194,036</u>	<u>57,560</u>	<u>6,189</u>	<u>(3,237)</u>	<u>254,548</u>
<b>Others</b>					
Receivables	44,161	16,410	1,408	(16)	61,963
Investments	15,604	(6,392)	-	-	9,212
	<u>59,765</u>	<u>10,018</u>	<u>1,408</u>	<u>(16)</u>	<u>71,176</u>
	<u>253,801</u>	<u>67,578</u>	<u>7,597</u>	<u>(3,254)</u>	<u>325,723</u>
<b>Wakala Bi Al-Istithmar</b>					
On balance sheet jointly financed assets	137,282	(7,198)	3,937	(1,305)	132,716
	<u>137,282</u>	<u>(7,198)</u>	<u>3,937</u>	<u>(1,305)</u>	<u>132,716</u>
<b>Others</b>					
Receivables	48,342	(4,415)	1,534	(18)	45,443
Investments	11,625	1,891	-	-	13,516
	<u>59,967</u>	<u>(2,524)</u>	<u>1,534</u>	<u>(18)</u>	<u>58,959</u>
	<u>197,249</u>	<u>(9,722)</u>	<u>5,471</u>	<u>(1,323)</u>	<u>191,675</u>

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (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% (2021: 92.03%) 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 USD 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 USD 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 USD 136,457,800 to USD 151,457,800 with the full amount of USD 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 10 November 2022.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The 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".

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting' using FAS issued by AAOIFI.

The accounting policies used in the preparation of annual audited consolidated financial information of the Group for the year ended 31 December 2020 and 2021 were in accordance with FAS as modified by CBB. Since the CBB modifications were specific to the financial year 2020 and no longer apply to both current and comparative periods presented, the Group's interim financial information for the nine months ended 30 September 2022 had been prepared in accordance with FAS issued by AAOIFI (without any modifications).

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

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 2021. In addition, results for the nine months period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.1 Basis of Preparation (continued)**

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

The Bank breached rule LR-2.5.2A as the consolidated shareholders' equity is below the minimum capital requirement of BD 100 million. Rule LR-2.5.2A requires all Bahraini Islamic retail bank licensees to maintain a minimum total shareholders' equity of BD 100 million. Subsequent to the reporting date, as per the State Bank of Pakistan, the foreign exchange rate of Pakistani Rupee, the functional currency of the subsidiary incorporated in Pakistan, has appreciated against US Dollar from 228.452/USD (605.949/BD) prevailing as at 30 September 2022 to 221.4218 /USD (587.435/BD) as of 10 November 2022.

**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 2021 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, equity and debt type instruments through statement of income 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 United States Dollars, being the reporting currency of the Bank. All values are rounded to nearest US Dollar (US\$) thousand unless otherwise indicated. However, 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 financial statements of the Bank and its following subsidiary, which is consolidated in these interim condensed consolidated financial statements:

	<i>Ownership for 2022 / 2021</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 30 September 2022/21</i>
<b>Held directly by the Bank</b>				
Al Baraka Bank (Pakistan) Limited	59.13%	2004	Pakistan	170/180

**Investment in Itqan Capital**

The Bank has ownership interest of 83.07% in Itqan Capital ("Itqan"). The Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of Itqan to the Ultimate Parent. The Bank has authorised the Ultimate Parent to represent it in the shareholders' meetings and to exercise control on Itqan to do any or all acts and deeds and exercise all powers of the Bank pursuant to the Charter Document referred in the management agreement and / or under any applicable laws.

The financial statements of Itqan are not consolidated as Itqan is controlled by the Ultimate Parent pursuant to the terms of the management agreement. Based on the approval of CBB, the Parent consolidates the financial statements of Itqan in its consolidated financial statements which are prepared in accordance with FAS issued by AAOIFI.

The Group is in the process of transferring the Bank's investment stake in Itqan to the Ultimate Parent and has approved a memorandum of understanding in this regard pursuant to the agreement signed with a third party by both the Bank and the Ultimate Parent for sale of the investment.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**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 profit or equity of the Group, however, may result in additional disclosures at year end.

**2.5.1 FAS 37 - Financial Reporting by Waqf Institutions**

AAOIFI has issued FAS 37 in 2020. The objective of this standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules. The implementation of this comprehensive standard is expected, in turn, to contribute towards improving effectiveness and efficiency of operations of Waqfs, maximizing benefits to the beneficiaries and encouraging proper accountability and management.

**2.5.2 FAS 38 - Wa'ad, Khiyar and Tahawwut**

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions.

**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 Group is currently evaluating the impact of the above standards.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**2.6 New standards, amendments and interpretations issued but not yet effective (continued)**

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

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 Quassi 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 an amendments to other AAOIFI FAS's; 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 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. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group is currently evaluating the impact of the above standards.

**2.6.3 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 the above standards.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**3 RECEIVABLES**

	<i>Reviewed</i>			<i>Audited</i>		
	<i>30 September 2022</i>			<i>31 December 2021</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>
Commodities and Wakala placement with financial institutions	-	46,995	46,995	-	26,243	26,243
Salam financing	-	14,568	14,568	-	20,879	20,879
Istisna'a financing	-	39,948	39,948	-	56,504	56,504
Murabaha financing	424	126,896	127,320	424	113,025	113,449
Bills receivables and other financing	-	5,595	5,595	-	5,380	5,380
Gross receivables	424	234,002	234,426	424	222,031	222,455
Deferred profits	-	(13,566)	(13,566)	-	(10,929)	(10,929)
	424	220,436	220,860	424	211,102	211,526
Less: Allowance for expected credit losses (3.1)	(212)	(23,454)	(23,666)	(5)	(28,587)	(28,592)
Net receivables	212	196,982	197,194	419	182,515	182,934

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>				<i>Audited</i>			
	<i>30 September 2022</i>				<i>31 December 2021</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)	107,313	6,631	-	113,944	95,905	7,498	-	103,403
Satisfactory (5-7)	63,294	19,271	-	82,565	41,603	35,189	-	76,792
Default (8-10)	-	-	24,351	24,351	-	-	31,331	31,331
	170,607	25,902	24,351	220,860	137,508	42,687	31,331	211,526

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**3 RECEIVABLES (continued)**

**3.1 Allowances for expected credit losses**

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

	<i>Reviewed</i>			
	<b>30 September 2022</b>			
	<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>
<b>Balance at 1 January</b>	782	3,071	24,739	28,592
<b>Changes during the period:</b>				
- transferred to Stage 1: 12 month ECL	1	(1)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(15)	65	(50)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(5)	5	-
Net remeasurement of loss allowance	280	57	1,346	1,683
Recoveries / write-backs	-	-	(50)	(50)
	<b>266</b>	<b>116</b>	<b>1,251</b>	<b>1,633</b>
Amounts written off during the period	-	-	(2,660)	(2,660)
FX translation	(14)	(44)	(3,841)	(3,899)
<b>Balance as of 30 September 2022</b>	<b>1,034</b>	<b>3,143</b>	<b>19,489</b>	<b>23,666</b>

	<i>Audited</i>			
	<b>31 December 2021</b>			
	<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	586	5,529	17,686	23,801
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	10	(7)	(3)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(75)	531	(456)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(1,559)	1,560	1
Net remeasurement of loss allowance	278	(110)	7,659	7,827
Recoveries / write-backs	-	-	(1,534)	(1,534)
	<b>213</b>	<b>(1,145)</b>	<b>7,226</b>	<b>6,294</b>
Allocation from investment risk reserve	-	-	104	104
Amounts written off during the year	-	(1,292)	(1,177)	(2,469)
Write-backs	-	-	2,183	2,183
FX translation	(17)	(21)	(1,283)	(1,321)
<b>Balance as of 31 December 2021</b>	<b>782</b>	<b>3,071</b>	<b>24,739</b>	<b>28,592</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	<i>Reviewed</i> 30 September 2022			<i>Audited</i> 31 December 2021		
	<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>
Ijara Muntahia Bittamleek	4,305	186,613	190,918	10,004	151,163	161,167
Ijara income receivables	1,274	13,185	14,459	3,450	12,701	16,151
	<b>5,579</b>	<b>199,798</b>	<b>205,377</b>	13,454	163,864	177,318
Less: Allowance for expected credit losses (4.1)	(79)	(2,875)	(2,954)	(120)	(3,222)	(3,342)
	<b>5,500</b>	<b>196,923</b>	<b>202,423</b>	13,334	160,642	173,976

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 2022				<i>Audited</i> 31 December 2021			
	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>
Good (1-4)	196,364	3	-	196,367	166,475	4	-	166,479
Satisfactory (5-7)	975	2,345	-	3,320	1,514	2,276	-	3,790
Default (8-10)	-	-	5,690	5,690	-	-	7,049	7,049
	<b>197,339</b>	<b>2,348</b>	<b>5,690</b>	<b>205,377</b>	167,989	2,280	7,049	177,318

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (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>			
	<i>30 September 2022</i>			
	<i>Stage 1: 12-month ECL BHD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BHD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BHD '000</i>	<i>Total BHD '000</i>
<b>Balance at 1 January</b>	293	18	3,031	3,342
<b>Changes during the period:</b>				
- transferred to Stage 2: Lifetime ECL not credit-impaired	(11)	11	-	-
Net remeasurement of loss allowance	106	23	182	311
Recoveries / write-backs	-	-	(318)	(318)
Allowances for expected credit losses	95	34	(136)	(7)
Amounts written off during the period	-	-	(185)	(185)
FX translation	-	-	(196)	(196)
<b>Balance as of 30 September 2022</b>	<b>388</b>	<b>52</b>	<b>2,514</b>	<b>2,954</b>
	<i>Audited</i>			
	<i>31 December 2021</i>			
	<i>Stage 1: 12-month ECL BHD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BHD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BHD '000</i>	<i>Total BHD '000</i>
Balance at 1 January	337	86	3,345	3,768
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL	108	(46)	(62)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	-	250	(250)	-
Net remeasurement of loss allowance	(152)	(272)	181	(243)
Recoveries / write-backs	-	-	(78)	(78)
Allowances for expected credit losses	(44)	(68)	(209)	(321)
Amounts written off during the year	-	-	(9)	(9)
FX translation	-	-	(96)	(96)
<b>Balance as of 31 December 2021</b>	<b>293</b>	<b>18</b>	<b>3,031</b>	<b>3,342</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

5 MUSHARAKA

	Reviewed 30 September 2022			Audited 31 December 2021		
	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000	Self financed BHD '000	Jointly financed BHD '000	Total BHD '000
Musharaka	12,498	82,166	94,664	19,932	107,955	127,887
Less: Allowance for expected credit losses (5.1)	-	(3,915)	(3,915)	-	(3,847)	(3,847)
	<b>12,498</b>	<b>78,251</b>	<b>90,749</b>	<b>19,932</b>	<b>104,108</b>	<b>124,040</b>

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.

	Reviewed 30 September 2022				Audited 31 December 2021			
	Stage 1 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000	Stage 1 BHD '000	Stage 2 BHD '000	Stage 3 BHD '000	Total BHD '000
Good (1-4)	79,043	4,396	-	83,439	97,270	9,904	-	107,174
Satisfactory (5-7)	3,643	3,829	-	7,472	2,273	14,020	-	16,293
Default (8-10)	-	-	3,753	3,753	-	-	4,420	4,420
	<b>82,686</b>	<b>8,225</b>	<b>3,753</b>	<b>94,664</b>	<b>99,543</b>	<b>23,924</b>	<b>4,420</b>	<b>127,887</b>

5.1 Allowances for expected credit losses

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

	Reviewed 30 September 2022			
	Stage 1: 12-month ECL BHD '000	Stage 2: Lifetime ECL not credit- impaired BHD '000	Stage 3: Lifetime ECL credit- impaired BHD '000	Total BHD '000
Balance at 1 January	648	857	2,342	3,847
Changes during the period:				
- transferred to Stage 1: 12 month ECL	84	(84)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(37)	37	-	-
Net remeasurement of loss allowance	337	90	516	943
Allowances for expected credit losses	384	43	516	943
FX translation	(121)	(221)	(533)	(875)
Balance as of 30 September 2022	<b>911</b>	<b>679</b>	<b>2,325</b>	<b>3,915</b>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**5 MUSHARAKA (continued)**

**5.1 Allowances for expected credit losses (continued)**

	<i>Audited</i>			<i>Total</i> <i>BHD '000</i>
	<i>31 December 2021</i>			
	<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>	
Balance at 1 January	620	1,035	2,143	3,798
Changes during the year:				
- transferred to Stage 2: Lifetime ECL not credit-impaired	(33)	33	-	-
Net remeasurement of loss allowance	119	(113)	608	614
Recoveries / write-backs	-	-	(207)	(207)
Allowances for expected credit losses	86	(80)	401	407
FX translation	(58)	(98)	(202)	(358)
Balance as of 31 December 2021	648	857	2,342	3,847

**6 INVESTMENTS**

	<i>Reviewed</i>			<i>Audited</i>		
	<i>30 September 2022</i>			<i>31 December 2021</i>		
	<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>
<b>i) Equity-type instruments at fair value through equity</b>						
<b>Quoted</b>						
Listed equity shares	11,384	96	11,480	11,414	115	11,529
<b>Unquoted</b>						
Unlisted equity shares	23,849	192	24,041	23,849	167	24,016
Managed funds	377	-	377	377	-	377
Real estate funds	617	5,079	5,696	617	4,202	4,819
	<b>36,227</b>	<b>5,367</b>	<b>41,594</b>	<b>36,257</b>	<b>4,484</b>	<b>40,741</b>
Less: Provision for impairment	(1,753)	(123)	(1,876)	(1,959)	(159)	(2,118)
<b>Total equity investments</b>	<b>34,474</b>	<b>5,244</b>	<b>39,718</b>	<b>34,298</b>	<b>4,325</b>	<b>38,623</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**6 INVESTMENTS (continued)**

	<i>Reviewed</i> 30 September 2022			<i>Audited</i> 31 December 2021		
	<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>
<b>ii) Debt-type instruments at fair value through statement of income</b>						
<b>Quoted</b>						
Sukuk	-	-	-	-	12,687	12,687
<b>iii) Debt-type instruments at fair value through equity (6.1)</b>						
<b>Quoted</b>						
Sukuk	90,653	86,900	177,553	85,097	61,279	146,376
<b>Unquoted</b>						
Sukuk	-	996	996	-	1,323	1,323
	<b>90,653</b>	<b>87,896</b>	<b>178,549</b>	<b>85,097</b>	<b>62,602</b>	<b>147,699</b>
<b>iv) Debt-type instruments at amortised cost (6.1)</b>						
<b>Quoted</b>						
Sukuk	123,271	62,702	185,973	124,282	63,227	187,509
<b>Unquoted</b>						
Sukuk	999	65,501	66,500	5,745	27,742	33,487
	<b>124,270</b>	<b>128,203</b>	<b>252,473</b>	<b>130,027</b>	<b>90,969</b>	<b>220,996</b>
Less: Allowance for expected credit losses (6.2)	(87)	(33)	(120)	(124)	(44)	(168)
<b>Total debt-type investments</b>	<b>214,836</b>	<b>216,066</b>	<b>430,902</b>	<b>215,000</b>	<b>166,214</b>	<b>381,214</b>
<b>Total investments</b>	<b>249,310</b>	<b>221,310</b>	<b>470,620</b>	<b>249,298</b>	<b>170,539</b>	<b>419,837</b>

Included in unquoted investments at fair value through equity are investments amounting to BHD 28.7 million (2021: BHD 27.7 million) which 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. These are mainly investments in unlisted companies whose shares are not traded in active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC").

Investments stated at a carrying amount of BHD 174.5 million (2021: BHD 186.9 million) are placed in custody of a financial institution to secure a financing line.

**6.1 Debt-type instruments at amortised cost and fair value through equity**

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 2022				<i>Audited</i> 31 December 2021			
	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>	<i>Stage 1 BHD '000</i>	<i>Stage 2 BHD '000</i>	<i>Stage 3 BHD '000</i>	<i>Total BHD '000</i>
Good (1-4)	183,533	-	-	183,533	157,462	-	-	157,462
Satisfactory (5-7)	247,489	-	-	247,489	211,233	-	-	211,233
Default (8-10)	-	-	-	-	-	-	-	-
	<b>431,022</b>	<b>-</b>	<b>-</b>	<b>431,022</b>	<b>368,695</b>	<b>-</b>	<b>-</b>	<b>368,695</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**6 INVESTMENTS (continued)**

**6.2 Allowances for expected credit losses**

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

	<i>Reviewed</i>			
	<b>30 September 2022</b>			
	<i>Stage 1: 12-month ECL BHD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BHD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BHD '000</i>	<i>Total BHD '000</i>
Balance at 1 January	168	-	-	168
<b>Changes during the period:</b>				
Net remeasurement of loss allowance	(47)	-	-	(47)
	(47)	-	-	(47)
FX translation	(1)	-	-	(1)
<b>Closing balance</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>120</b>
	<i>Audited</i>			
	<b>31 December 2021</b>			
	<i>Stage 1: 12-month ECL BHD '000</i>	<i>Stage 2: Lifetime ECL not credit- impaired BHD '000</i>	<i>Stage 3: Lifetime ECL credit- impaired BHD '000</i>	<i>Total BHD '000</i>
Balance at 1 January	172	84	-	256
<b>Changes during the year:</b>				
- transferred to Stage 1: 12 month ECL				
ECL not credit-impaired	28	(28)	-	-
Net remeasurement of loss allowance	(31)	(56)	-	(87)
	(3)	(84)	-	(87)
FX translation	(1)	-	-	(1)
<b>Closing balance</b>	<b>168</b>	<b>-</b>	<b>-</b>	<b>168</b>

**7 OTHER ASSETS**

	<i>Reviewed</i>	<i>Audited</i>
	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<i>BHD '000</i>	<i>BHD '000</i>
Collaterals pending sale	4,112	5,021
Deferred tax (7.1)	5,144	7,080
Advance against capital expenditure	1,272	1,479
Accounts receivable	8,516	8,256
Advance tax	-	217
Income receivable	29	23
Prepayments	1,646	1,140
Others	1,349	1,832
	<b>22,068</b>	25,048
Less: Provision for impairment	<b>(662)</b>	(856)
	<b>21,406</b>	24,192

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (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> <b>30 September</b> <b>2022</b> <b>BHD '000</b>	<i>Audited</i> <b>31 December</b> <b>2021</b> <b>BHD '000</b>
Margins received	7,044	8,149
Accounts payable	7,739	11,517
Bills payable	14,097	10,236
Security deposit against Ijara Muntahia Bittamleek	139	343
Provision for employees benefits	2,852	3,737
Allowance for expected credit losses-unfunded facilities	183	271
Charity fund	187	235
Operating Ijarah liability	4,036	4,262
Others	2,410	2,587
	<b>38,687</b>	<b>41,337</b>

**9 CONTINGENCIES AND COMMITMENTS**

	<i>Reviewed</i> <b>30 September</b> <b>2022</b> <b>BHD '000</b>	<i>Audited</i> <b>31 December</b> <b>2021</b> <b>BHD '000</b>
Letters of credit	36,111	40,718
Guarantees	39,943	41,026
Foreign exchange contracts	48,633	98,943
Acceptances	4,457	6,201
Taxation	1,515	1,960
Others	7	10
	<b>130,666</b>	<b>188,858</b>

**10 INCOME FROM FINANCINGS**

	<i>Nine months ended</i> <b>30-Sep</b>	
	<b>2022</b> <b>BHD '000</b>	<b>2021</b> <b>BHD '000</b>
Income from receivables	9,909	8,418
Income from musharaka	10,625	10,558
Income from ijarah muntahia bittamleek	7,452	5,677
	<b>27,986</b>	<b>24,653</b>
	<i>Nine months ended</i> <b>30-Sep</b>	
	<b>2022</b> <b>BHD '000</b>	<b>2021</b> <b>BHD '000</b>
Income from jointly financed financing assets	25,678	22,772
Income from self financed assets	2,308	1,881
	<b>27,986</b>	<b>24,653</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (Reviewed)

**11 INCOME FROM INVESTMENTS**

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2022</b>	<b>2021</b>
	<b>BHD '000</b>	<b>BHD '000</b>
Yield, coupon or return on investments	<b>20,879</b>	12,811
Gain on sale of investments	<b>384</b>	1,464
Dividend income	<b>1,219</b>	1,341
Income from properties	<b>87</b>	501
	<b>22,569</b>	16,117
Income from jointly financed investments	<b>11,625</b>	4,237
Income from self financed investments	<b>10,944</b>	11,880
	<b>22,569</b>	16,117

**12 REVENUE FROM BANKING SERVICES**

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2022</b>	<b>2021</b>
	<b>BHD '000</b>	<b>BHD '000</b>
Fees and commissions	<b>1,986</b>	2,326
Letters of credit and acceptances	<b>539</b>	790
Guarantees	<b>339</b>	206
	<b>2,864</b>	3,322

**13 OTHER INCOME**

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2022</b>	<b>2021</b>
	<b>BHD '000</b>	<b>BHD '000</b>
Foreign exchange gain - net	<b>1,170</b>	1,425
Others	<b>386</b>	250
	<b>1,556</b>	1,675

**14 ALLOWANCE FOR IMPAIRMENT - NET**

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2022</b>	<b>2021</b>
	<b>BHD '000</b>	<b>BHD '000</b>
<b>(Charge) / reversal against:</b>		
Receivables	<b>(1,633)</b>	(3,442)
Ijara Muntahia Bittamleek and ijara receivables	<b>7</b>	308
Musharaka	<b>(943)</b>	(460)
Investments - debt type	<b>47</b>	(15)
Investments - equity type	<b>74</b>	184
Off balance sheet items	<b>41</b>	(8)
Other assets	<b>(9)</b>	-
	<b>(2,416)</b>	(3,433)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (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>	
	<i>30 September</i>	<i>December</i>	<i>September</i>	<i>December</i>	<i>September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</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	<b>691,235</b>	614,908	<b>387,305</b>	464,611	<b>1,078,540</b>	1,079,519
Liabilities, equity of investment accountholders Subordinated	<b>620,102</b>	546,765	<b>358,942</b>	430,114	<b>979,044</b>	976,879
	<i>Middle East</i>		<i>Other Asian Countries</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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</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	<b>14,593</b>	12,954	<b>13,659</b>	14,986	<b>28,252</b>	27,940
Total expenses	<b>(10,898)</b>	(9,596)	<b>(8,862)</b>	(9,605)	<b>(19,760)</b>	(19,201)
Allowance for impairment - net	<b>(1,121)</b>	(1,175)	<b>(1,295)</b>	(2,258)	<b>(2,416)</b>	(3,433)
Taxation	-	-	<b>(1,048)</b>	(1,679)	<b>(1,048)</b>	(1,679)
Net income for the period	<b>2,574</b>	2,183	<b>2,454</b>	1,444	<b>5,028</b>	3,627

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2022 (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:

	Shareholders		Other Related Parties		Total	
	30 September	31 December	30 September	31 December	30 September	31 December
	2022	2021	2022	2021	2022	2021
	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000
<b>Assets:</b>						
Cash and balances with banks and financial institutions	2	2	66	340	68	342
Receivables	-	-	343	2,052	343	2,052
Musharaka	-	-	531	540	531	540
Investments	9,345	8,603	34,034	33,234	43,379	41,837
Other assets	3,951	3,355	-	202	3,951	3,557
	<b>13,298</b>	<b>11,960</b>	<b>34,974</b>	<b>36,368</b>	<b>48,272</b>	<b>48,328</b>
<b>Liabilities:</b>						
Current accounts	2,096	2,221	758	1,126	2,854	3,347
Other liabilities	1	2	105	665	106	667
	<b>2,097</b>	<b>2,223</b>	<b>863</b>	<b>1,791</b>	<b>2,960</b>	<b>4,014</b>
<b>Equity of investment accountholders</b>	<b>2,553</b>	<b>13,695</b>	<b>9,434</b>	<b>7,152</b>	<b>11,987</b>	<b>20,847</b>
<b>OFF-BALANCE SHEET ITEMS:</b>						
<b>Equity of investment accountholders</b>	<b>9,212</b>	<b>15,604</b>	<b>61,964</b>	<b>44,161</b>	<b>71,176</b>	<b>59,765</b>
<b>Contingencies and commitments</b>	<b>754</b>	<b>819</b>	<b>289</b>	<b>3,894</b>	<b>1,043</b>	<b>4,713</b>

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

	Shareholders		Other Related Parties		Total	
	30 September	30 September	30 September	30 September	30 September	30 September
	2022	2021	2022	2021	2022	2021
	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000	BHD '000
<b>Income</b>						
Income from jointly financed sales	-	-	22	118	22	118
Income from jointly financed, other financings and investments	-	-	10	26	10	26
Other income	90	90	-	1	90	91
	<b>90</b>	<b>90</b>	<b>32</b>	<b>145</b>	<b>122</b>	<b>235</b>
<b>Expenses</b>						
Return on equity of investment accountholders	43	2	173	145	216	147
Other expenses	66	99	860	575	926	674
	<b>109</b>	<b>101</b>	<b>1,033</b>	<b>720</b>	<b>1,142</b>	<b>821</b>

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As at 30 September 2022 (Reviewed)

**16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)****Compensation of key management personnel is as follows:**

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2022</b>	<i>2021</i>
	<b>BHD '000</b>	<i>BHD '000</i>
Salaries	<b>1,385</b>	1,274
Other benefits	<b>585</b>	548
	<b>1,970</b>	1,822

**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) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

A hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable.

Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the investments that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022

**18 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 2022 is 204.70%.

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	
<b>Available Stable Funding (ASF):</b>					
<b>Capital:</b>	<b>75,623</b>	-	-	<b>5,320</b>	<b>80,943</b>
Regulatory Capital	75,623	-	-	-	75,623
Other Capital Instruments	-	-	-	5,320	5,320
<b>Retail deposits and deposits from small business customers:</b>	-	<b>341,885</b>	<b>13,053</b>	<b>1,928</b>	<b>321,634</b>
Stable deposits	-	5,232	-	-	4,971
Less stable deposits	-	336,653	13,053	1,928	316,663
<b>Wholesale funding:</b>	-	<b>416,895</b>	<b>118,463</b>	<b>4,669</b>	<b>157,972</b>
Operational deposits	-	-	-	-	-
Other wholesale funding	-	416,895	118,463	4,669	157,972
<b>Other liabilities:</b>	-	-	-	<b>39,752</b>	<b>39,752</b>
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	39,752	39,752
<b>Total ASF</b>	<b>75,623</b>	<b>758,780</b>	<b>131,516</b>	<b>51,669</b>	<b>600,301</b>
<b>Required Stable Funding (RSF):</b>					
<b>Total NSFR high-quality liquid assets (HQLA)</b>	341,633	-	-	9,524	27,694
<b>Deposits held at other financial institutions for operational purposes</b>	-	-	-	-	-
<b>Performing financing and sukuk/securities:</b>	-	-	-	-	-
Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 and unsecured performing financing financial institutions	-	68,955	-	12,761	23,105

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At 30 September 2022

18 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:	-	78,842	18,369	-	48,606
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	-	-	-	102,609	66,696
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	13,096	13,096
<b>Other assets:</b>					
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	49,042	-	-	-	49,042
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	60,518	-	-	-	60,518
<b>OBS items</b>	90,005	-	-	-	4,500
<b>Total RSF</b>	<b>541,198</b>	<b>147,797</b>	<b>18,369</b>	<b>137,990</b>	<b>293,257</b>
<b>NSFR (%)</b>					<b>204.70%</b>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at 30 September 2022 (Reviewed)

**19 COMPARATIVE FIGURES**

In these Group's interim condensed consolidated financial statements, investments amounting to BHD 147 million at 31 December 2021 were reclassified from "Debt type investments carried at amortized cost" to "Debt type investment carried at fair value through equity" in order to comply with FAS 33 "Investments in Sukuk, Shares and Similar Instruments" which became effective from 1 January 2021. This reclassification did not materially impact previously reported net income or owner's equity.