بسم الله الرحمن الرحيم

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2021 (REVIEWED)

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REVIEW REPORT TO THE BOARD OF DIRECTORS OF
AL BARAKA ISLAMIC BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiary ("the Group") as of 30 September 2021, comprising of the interim consolidated statement of financial position as at 30 September 2021, the related interim consolidated statement of income for the three month and nine month period then ended and the related interim consolidated statements of cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the nine month period then ended and other explanatory information. The Board of Directors is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the basis of preparation and accounting policies disclosed in note 2. 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 the basis of preparation and accounting policies as set out in note 2.

Ernst & Young

9 November 2021
Manama, Kingdom of Bahrain

A member firm of Ernst & Young Global Limited

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021 (Reviewed)

	Notes	*Reviewed* 30 September 2021 BD '000	*Audited* 31 December 2020 BD '000
ASSETS			
Cash and balances with banks and financial institutions		**72,546**	111,168
Receivables	3	**202,199**	210,155
Ijara Muntahia Bittamleek and ijara receivables	4	**159,293**	121,210
Musharaka	5	**147,887**	132,055
Investments	6	**394,003**	372,510
Investments in real estate		**3,554**	3,700
Investment in joint venture		**5,595**	5,516
Premises and equipment		**20,545**	17,472
Goodwill		**4,961**	5,297
Other assets	7	**24,481**	20,713
TOTAL ASSETS		**1,035,064**	999,796
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND EQUITY			
Liabilities			
Current accounts		**121,919**	144,820
Murabaha and other payables		**107,217**	69,824
Other liabilities	8	**46,572**	39,739
Total liabilities		**275,708**	254,383
Equity of investment accountholders (IAH)		**653,625**	639,734
Subordinated debts		**3,568**	4,857
Equity			
Share capital		**51,445**	51,445
Additional tier-1 capital		**41,847**	41,847
Reserves		**(1,926)**	(892)
Retained earnings / (accumulated losses)		**1,542**	(1,317)
Equity attributable to parent's shareholders		**92,908**	91,083
Non-controlling interest		**9,255**	9,739
Total equity		**102,163**	100,822
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND EQUITY		**1,035,064**	999,796
OFF-BALANCE SHEET ITEMS: EQUITY OF INVESTMENT ACCOUNTHOLDERS		**191,675**	197,249
CONTINGENCIES AND COMMITMENTS	9	**209,121**	143,866

Saleh Salman Al Kawari
Chairman

Hamad Abdulla Aloqab
Chief Executive Officer and Borad Member

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months period ended 30 September 2021 (Reviewed)

		Three months ended 30 September		*Nine months ended 30 September*	
	Notes	***2021 BD'000***	*2020 BD'000*	***2021 BD'000***	*2020 BD'000*
INCOME FROM JOINTLY FINANCED ASSETS					
Financing	10	**7,710**	6,788	**22,772**	25,054
Investments	11	**1,434**	1,540	**4,237**	3,540
Income from jointly financed assets		**9,144**	8,328	**27,009**	28,594
Return on equity of investment accountholders before Group's share as a Mudarib		**(7,740)**	(8,724)	**(23,241)**	(26,522)
Group's share as a Mudarib		**2,080**	4,031	**6,946**	7,430
Return on equity of investment accountholders		**(5,660)**	(4,693)	**(16,295)**	(19,092)
Group's share as a Mudarib and Rabalmal		**3,484**	3,635	**10,714**	9,502
INCOME FROM SELF FINANCED ASSETS			-		
Financings	10	**716**	655	**1,881**	2,942
Investments	11	**3,815**	3,978	**11,958**	10,450
Income from self financed assets		**4,531**	4,633	**13,839**	13,392
INCOME FROM BANKING SERVICES AND OTHERS			-		
Revenue from banking services	12	**1,109**	700	**3,322**	2,195
Other income	13	**504**	389	**1,675**	1,835
Group's Mudarib / Agency fee from off-balance sheet equity of investment account holders & wakala pool		**-**	-	**18**	197
TOTAL OPERATING INCOME BEFORE OTHER FINANCING COST		**9,628**	9,357	**29,568**	27,121
Other financing costs		**(587)**	(169)	**(1,628)**	(467)
TOTAL OPERATING INCOME		**9,041**	9,188	**27,940**	26,654
OPERATING EXPENSES					
Staff expenses		**(3,089)**	(2,782)	**(9,233)**	(8,770)
Depreciation		**(1,016)**	(466)	**(2,901)**	(1,382)
Other operating expenses		**(2,218)**	(2,938)	**(7,068)**	(8,782)
TOTAL OPERATING EXPENSES		**(6,323)**	(6,186)	**(19,201)**	(18,934)
NET OPERATING INCOME		**2,718**	3,002	**8,739**	7,720
Allowance for impairment - net	14	**(461)**	(2,051)	**(3,433)**	(5,649)
Recoveries from write offs		**-**	-	**-**	38
NET INCOME BEFORE TAXATION		**2,257**	951	**5,306**	2,109
Taxation		**(477)**	(410)	**(1,679)**	(753)
INCOME FOR THE PERIOD		**1,780**	541	**3,627**	1,356
Attributable to:					
Equity shareholders of the Parent		**1,336**	429	**3,037**	1,041
Non-controlling interest		**444**	112	**590**	315
		1,780	541	**3,627**	1,356

Saleh Salman Al Kawari
Chairman

Hamad Abdulla Aloqab
Chief Executive Officer and Board Member

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months period ended 30 September 2021 (Reviewed)

	Equity attributable to shareholders of the Parent										
			Reserves								
	Share capital	*Perpetual Additional Tier1 capital*	*Statutory*	*General*	*Employee defined benefit plan*	*Cumulative changes in fair value*	*Foreign exchange*	*Retained earnings / (accumulated losses)*	*Equity attributable to parent's shareholders*	*Non-controlling interest*	*Total equity*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
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**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,037**	**3,037**	**590**	**3,627**
Distribution of Zakat	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(175)**	**(175)**	**-**	**(175)**
Balance at 30 September 2021	**51,445**	**41,847**	**8,984**	**3,275**	**(33)**	**1,230**	**(15,382)**	**1,542**	**92,908**	**9,255**	**102,163**
Balance at 1 January 2020	51,445	41,847	8,757	3,275	(22)	(455)	(13,089)	(758)	91,000	9,422	100,422
Cumulative changes in fair value of investments	-	-	-	-	-	64	-	-	64	41	105
Foreign currency translation reserve	-	-	-	-	-	-	(1,506)	-	(1,506)	- (836)	- (2,342)
Recognition of modification loss (note 2)	-	-	-	-	-	-	-	(3,333)	(3,333)	-	(3,333)
Recognition of government grant	-	-	-	-	-	-	-	722	722	-	722
Movement in actuarial gain and losses	-	-	-	-	5	-	-	-	5	1	6
Net income for the period	-	-	-	-	-	-	-	1,040	1,040	315	1,355
Balance at 30 September 2020	51,445	41,847	8,757	3,275	(17)	(391)	(14,595)	(2,329)	87,992	8,943	96,935

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 months period ended 30 September 2021 (Reviewed)

	Nine months ended 30 September	
	2021	*2020*
	BD '000	*BD '000*
OPERATING ACTIVITIES		
Net income before taxation	**5,306**	2,109
Adjustments for :		
Depreciation	**2,901**	1,382
Provision for impairment - net	**3,433**	5,649
Gain on sale of premises and equipment	**(9)**	(63)
Gain on sale of investments	**(1,464)**	(2,990)
Share of (income)/ loss from investment in joint venture	**(79)**	28
Unrealized loss on revaluation of investment properties	**-**	309
Modification loss in lieu of payments moratorium	**-**	(3,331)
Operating profit before changes in operating assets and liabilities	**10,088**	3,093
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	**(9,545)**	29,924
Receivables	**(15,211)**	15,706
Ijara Muntahia Bittamleek and ijara receivables	**(37,777)**	(9,030)
Musharaka	**(16,292)**	(28,562)
Other assets	**(4,834)**	659
Other liabilities	**1,356**	5,319
Murabaha and other payables	**37,393**	(9,120)
Current accounts	**(22,901)**	10,051
Equity of investment accountholders	**13,891**	88,216
Tax paid	**(612)**	(322)
Net cash (used in) / from operating activities	**(44,444)**	105,934
INVESTING ACTIVITIES		
Purchase of investments	**(129,959)**	(238,800)
Sale / redemption of investments	**110,786**	194,630
Net purchase of premises and equipment	**(669)**	(41)
Net cash used in investing activities	**(19,842)**	(44,211)
FINANCING ACTIVITIES		
Subordinated debts	**(1,288)**	(1,050)
Receipt of government grant	**-**	722
Net cash used in financing activities	**(1,288)**	(328)
Foreign currency translation adjustments	**(2,316)**	(1,978)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(67,890)**	59,417
Cash and cash equivalents at 1 January	**144,310**	74,136
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**76,420**	133,553

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

Cash in hand	**13,904**	15,943
Balances with central banks in unrestricted account	**4,878**	4,253
Balances with other banks and financial institutions (with original maturity of 3 months or less)	**16,689**	61,418
Receivables - Commodities and Wakala placement with FIs (with original maturity of 3 months or less)	**40,949**	51,939
	76,420	133,553

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

For the nine months period ended 30 September 2021 (Reviewed)

	Balance at 1 January 2021 BD'000	***Net deposits/ withdrawals BD'000***	***Gross income BD'000***	***Mudarib's/ agency fee BD'000***	***Balance at 30 September 2021 BD'000***
Wakala Bi Al-Istithmar					
On balance sheet jointly financed assets	***137,282***	***(7,198)***	***3,937***	***(1,305)***	***132,716***
	137,282	***(7,198)***	***3,937***	***(1,305)***	***132,716***
Others					
Receivables	***48,342***	***(4,415)***	***1,534***	***(18)***	***45,443***
Investments	***11,625***	***1,891***	***-***	***-***	***13,516***
	59,967	**(2,524)**	**1,534**	**(18)**	**58,959**
	197,249	**(9,722)**	**5,471**	**(1,323)**	**191,675**

	Balance at 1 January 2020 BD'000	*Net deposits/ withdrawals BD'000*	*Gross income BD'000*	*Mudarib's/ agency fee BD'000*	*Balance at 30 September 2020 BD'000*
Wakala Bi Al-Istithmar					
Receivables	*59,057*	*(59,079)*	*202*	*(180)*	*-*
Investments	*1,755*	*(1,756)*	*12*	*(11)*	*-*
On balance sheet jointly financed assets	*66,879*	*79,346*	*2,914*	*(1,167)*	*147,972*
	127,691	*18,511*	*3,128*	*(1,358)*	*147,972*
Others					
Receivables	*53,632*	*(272)*	*652*	*(6)*	*54,006*
Investments	*60,889*	*(52,268)*	*-*	*-*	*8,621*
	114,521	(52,540)	652	(6)	62,627
	242,212	(34,029)	3,780	(1,364)	210,599

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

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% (2020: 92%) owned by Al Baraka Banking Group B.S.C. (the "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.

These interim condensed consolidated financial statements were approved by the Board of Directors on 9 November 2021.

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") including the CBB circulars issued on regulatory concessionary measures in response to COVID-19. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) with two exceptions which are set out below. 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 two exceptions mentioned above are as follows:

(a) recognition of modification losses amounted to BD 3.3 million during 2020 on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profit in statement of changes in equity instead of profit or loss as required by FAS issued by AAOIFI. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of FAS issued by AAOIFI.

(b) recognition of financial assistance amounted to BD 722 thousand during 2020 received from the government and/ or regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in statement of changes in equity as a result of (a) above, and the balance amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the relevant requirements of FAS issued by AAOIFI.

FAS issued by AAOIFI along with the two exceptions is referred to as "FAS issued by AAOIFI as modified by the CBB". 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 as modified by the CBB framework.

The Group had provided payment holidays to certain customers on the basis of regulatory directives issued by the CBB as concessionary measures to mitigate the impact of COVID-19 and requests received. As of 30 September 2021, the outstanding balance of customers to whom such payment holidays have been provided amounted to BD 73.9 million (year ended 31 December 2020: BD 33.2 million). However, this did not result in any modification loss as these deferrals were provided to the customers at the profit rate as per the terms of original agreement.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

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 2020. In addition, results for the nine months period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 Significant acocunting 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 2020 except for the changes due to adoption of new and amended standards as set out in note 2.6.

2.3 COVID - 19

COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. Global equity and commodity markets, in particular the hydrocarbon sector, experienced significant volatility. The estimation uncertainty is associated with extent and duration of the economic downturn. This includes the volatility in capital markets, deterioration of credit quality of financial assets and escalating the liquidity management challenges. In this regard, the fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. In this regards, the Group has undertaken various initiatives to ensure the protection of its human capital along-with uninterrupted supply of services to its customer base. Further, the strict prudential practices were followed to maintain sufficient liquidity levels and mitigate the possible impacts on asset base of the Group. Further, the Group is actively monitoring the progress and impacts of such outbreak on its operations like possible loss of revenues, expected credit losses, onerous contract etc.

2.4 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, equityand debt type instruments through profit or loss 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 Bahraini Dinars (BD) 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.

2.5 Basis of consolidation

These interim condensed consolidated financial statements include the 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:

	Ownership for 2021 / 2020	*Year of incorporation*	*Country of incorporation*	*No. of branches/ offices at 30 September 2021*
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited	59.13%	2004	Pakistan	178

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.5 Basis of consolidation (continued)

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 the Itqan to the Parent. The Bank has authorised the 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 it is controlled by the 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 investment in Itqan acquired was initially recognised at cost, being the fair value of consideration given including acquisition charges associated with the investment. Subsequently, it is being carried at cost less impairment losses, if any.

2.6 New standards, interpretations and amendments adopted by the Group

2.6.1 Adoption of FAS 32 Ijarah

This standard supersedes FAS 8 “Ijarah and Ijarah Muntahia Bittamleek”. FAS 32 sets out the principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard is effective for financial years beginning 1 January 2021, with early adoption permitted.

Under this standard, an institution, in its capacity either as lessor or lessee shall classify each of its Ijarah into a) operating Ijarah b) Ijara Muntahia Biltamleek with expected transfer of ownership after the end of the Ijarah term – either through sale or gift; and c) Ijarah Muntahia Biltamleek with gradual transfer – with gradual transfer of ownership during the Ijarah term including Diminishing Musharaka Ijarah.

The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) and a net Ijarah liability, duly comprising of a) gross Ijarah liability and b) deferred Ijarah cost (shown as contra-liability).

The Group adopted FAS 32 using modified retrospective method and recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets on 1 January 2021. In accordance with the FAS 32, the Group has recognised the right-of-use assets and corresponding lease liability amounted to BD 5.3 million on 1 January 2021 in the interim condensed consolidated financial statements.

a) Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjustment for any effect of Ijarah modification or reassessment. The cost of right-of-use assets represents the fair value of total consideration paid/ payable and includes initial direct costs and any dismantling or decommissioning costs. The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of use assets which coincides with the end of the Ijarah term using a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. Right-of-use asset is also subject to impairment in line with FAS 30 requirements. The carrying value of right-of-use asset is recognised under "Premises and equipment" in the interim consolidated statement of financial position.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

2.6.1 Adoption of FAS 32 Ijarah (continued)

b) Ijarah liability
At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Group recognises Ijarah liability measured at the fair value of total rentals payable for Ijarah term. After the commencement date, the amount of Ijarah liability is increased to reflect return on the Ijarah liability – by way of amortisation of deferred Ijarah cost and reduced to reflect the Ijarah rentals made. In addition, the carrying amount of Ijarah liability is remeasured if there is a modification, a change in the Ijarah term or change in the in-substance fixed lease payments. The carrying value of Ijarah liability is recognised under "Other liabilities" in the interim consolidated statement of financial position.

2.6.2 Adoption of FAS 33 Investment in sukuk, shares and similar instruments
This standard aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Shari'ah compliant investments and the primary accounting treatments commensurate to the characteristic and business model of institution under which the investments are made, managed and held. This standard supersedes FAS 25 "Investment in Sukuk" and is effective for financial years beginning or after 1 January 2021 with early adoption permitted. For the purpose of this standard, each investment is to be categorized as one of the below investment categories depending on it nature:

- *Monetary Debt-type instrument;*
- *Non-monetary Debt-type instrument;*
- *Equity-type instrument; and*
- *Other investment instruments.*

Classification
Unless the irrevocable initial recognition choices provided below are exercised, the Group shall classify investments subject to this standard as subsequently measured at either (i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement, on the basis of both the Group's business model for managing investments and the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic contracts.

Investment in a monetary debt-type instrument, as it reflects a debt at the back-end, shall be initially classified and measured at cost, till the time the transaction at the back-end is executed, and at amortised cost thereafter.

Investment in a non-monetary debt-type instrument or other investment instrument, may be classified under any of the three categories ((i) amortised cost, (ii) fair value through equity or (iii) fair value through income statement) depending on the Group's business model.

Investment in equity-type instrument is carried as investment at fair value through income statement unless the Group make an irrevocable classification choice at initial recognition to classify this as investment at fair value through equity. An investment held for trading purposes shall always fall in fair value through income statement classification.

Recognition and initial measurement
All investment shall be initially recognized at their fair value plus transaction costs except for investments at fair value through income statement. Transaction costs relating to investments at fair value through income statement are charged to the interim consolidated statement of income when incurred. A regular way purchase or sale of investments shall be recognized upon the transfer of control to investor.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

2.6.2 Adoption of FAS 33 Investment in sukuk, shares and similar instruments (continued)

Subsequent measurement

a) Investments at amortised cost
Investments carried at amortised cost shall be re-measured as such using the effective profit rate method. All gains or losses arising from the amortization process and those arising from de-recognition or impairment of the investment, are recognized in the interim consolidated statement of income. Investment carried at amortised cost shall be tested for impairment at each reporting period in accordance with FAS 30 "Impairment, credit losses and onerous commitments".

b) Investments at fair value through income
Investment carried at fair value through income statement shall be re-measured at fair value at end of each reporting period. The resultant remeasurement gain or loss, if any being the difference between the carrying amount and the fair value shall be recognized in the interim consolidated statement of income.

c) Investments at fair value through equity
Investment carried at fair value through equity shall be re-measured at fair value at the end of each reporting period. The resultant re-measurement gain or loss, if any, being the difference between the carrying amount and the fair value shall be directly recognized in equity under "cumulative changes in fair value reserve".

Reclassification
When, and only when, the Group changes its business model for managing investments, it shall reclassify all affected financial assets prospectively from the reclassification date. In case of reclassification, the Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or returns/ profits.

The Group has adopted the standard retrospetively and the adoption of the above accounting standard did not have a material impact on the interim condensed consolidated financial statements.

3 RECEIVABLES

	Reviewed 30 September 2021			*Audited 31 December 2020*		
	Self financed BD '000	***Jointly financed BD '000***	***Total BD '000***	*Self financed BD '000*	*Jointly financed BD '000*	*Total BD '000*
Commodities and Wakala placement with Financial Instutitions	**-**	**40,977**	**40,977**	-	60,704	60,704
Salam financing	**-**	**26,403**	**26,403**	-	23,073	23,073
Istisna'a financing	**-**	**56,038**	**56,038**	-	50,174	50,174
Murabaha financing	**424**	**107,943**	**108,367**	535	93,515	94,050
Bills receivables and other financing	**-**	**5,036**	**5,036**	-	12,833	12,833
Gross receivable	**424**	**236,397**	**236,821**	535	240,299	240,834
Deferred profits	**-**	**(10,705)**	**(10,705)**	(20)	(6,858)	(6,878)
	424	**225,692**	**226,116**	515	233,441	233,956
Less: Allowance for expected credit losses (3.1)	**(5)**	**(23,912)**	**(23,917)**	(140)	(23,661)	(23,801)
Net receivables	**419**	**201,780**	**202,199**	375	209,780	210,155

3 RECEIVABLES (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 ("ECL").

	Reviewed 30 September 2021				*Audited 31 December 2020*			
	Stage 1 BD '000	***Stage 2 BD '000***	***Stage 3 BD '000***	***Total BD '000***	*Stage 1 BD '000*	*Stage 2 BD '000*	*Stage 3 BD '000*	*Total BD '000*
Good (1-4)	**66,011**	**762**	**-**	**66,773**	60,358	8,240	-	68,598
Satisfactory	**-**	**-**	**-**					
(5-7)	**91,409**	**41,186**	**-**	**132,595**	90,023	40,883	-	130,906
Default	**-**	**-**	**-**					
(8-10)	**-**	**-**	**26,748**	**26,748**	-	-	34,452	34,452
	157,420	**41,948**	**26,748**	**226,116**	150,381	49,123	34,452	233,956

During the period ended 30 September 2020, the modification loss amounted to BD 942 thousand was recorded in equity on payment holiday provided to eligible customers impacted by COVID 19 Pandemic against such receivables.

3.1 Allowances for expected credit losses

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

	Reviewed 30 September 2021			
	Stage 1: 12-month ECL BD '000	***Stage 2: Lifetime ECL not credit-impaired BD '000***	***Stage 3: Lifetime ECL credit-impaired BD '000***	***Total BD '000***
Balance at 1 January	**586**	**5,529**	**17,686**	**23,801**
Changes during the period:				
- transferred to Stage 1: 12 month ECL	**16**	**(13)**	**(3)**	**-**
- transferred to Stage 2: Lifetime	**-**	**-**	**-**	**-**
ECL not credit-impaired	**(73)**	**529**	**(456)**	**-**
Net remeasurement of loss allowance	**274**	**729**	**2,942**	**3,945**
Recoveries / write-backs	**-**	**-**	**(503)**	**(503)**
	217	**1,245**	**1,980**	**3,442**
Amounts written off during the period	**-**	**(1,292)**	**(1,148)**	**(2,440)**
FX translation	**(12)**	**(14)**	**(860)**	**(886)**
Balance at 30 September	**791**	**5,468**	**17,658**	**23,917**

3 RECEIVABLES (continued)

3.1 Allowances for expected credit losses (continued)

	Audited 31 December 2020			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Balance at 1 January	350	3,852	15,678	19,880
Changes during the year:				
- transferred to Stage 1: 12 month ECL	4	(2)	(2)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(2)	2	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(12)	12	-
Net remeasurement of loss allowance	170	1,599	4,247	6,016
Recoveries / write-backs	-	-	(129)	(129)
	172	1,587	4,128	5,887
Reclassification from Wakala Pool	69	100	-	169
Amounts written off during the year	-	-	(1,768)	(1,768)
FX translation	(5)	(10)	(352)	(367)
Balance at 31 December	586	5,529	17,686	23,801

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	Reviewed 30 September 2021			*Audited 31 December 2020*		
	Self financed	***Jointly financed***	***Total***	*Self financed*	*Jointly financed*	*Total*
	BD '000	***BD '000***	***BD '000***	*BD '000*	*BD '000*	*BD '000*
Ijara Muntahia Bittamleek	**6,407**	**135,554**	**141,961**	9,206	97,497	106,703
Ijara income receivables	**7,378**	**13,345**	**20,723**	4,627	13,647	18,274
	13,785	**148,899**	**162,684**	13,833	111,144	124,977
Less: Allowance for expected credit losses (4.1)	**(91)**	**(3,300)**	**(3,391)**	(144)	(3,623)	(3,767)
	13,694	**145,599**	**159,293**	13,689	107,521	121,210

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 2021				*Audited 31 December 2020*			
	Stage 1	***Stage 2***	***Stage 3***	***Total***	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
	BD'000	***BD'000***	***BD'000***	***BD'000***	*BD'000*	*BD'000*	*BD'000*	*BD'000*
Good (1-4)	**149,996**	**70**	**-**	**150,066**	109,751	87	-	109,838
Satisfactory	**-**	**-**	**-**					
(5-7)	**2,041**	**3,030**	**-**	**5,071**	1,990	3,117	-	5,107
Default	**-**	**-**	**-**					
(8-10)	**-**	**-**	**7,547**	**7,547**	-	-	10,032	10,032
	152,037	**3,100**	**7,547**	**162,684**	111,741	3,204	10,032	124,977

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES (continued)

During the period ended 30 September 2020, the modification loss amounted to BD 2.3 million was recorded in equity on payment holiday provided to eligible customers impacted by COVID 19 Pandemic against such Ijara Muntahia Bittamleek.

4.1 Allowances for expected credit losses

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

	Reviewed 30 September 2021			
	Stage 1: 12-month ECL BD '000	***Stage 2: Lifetime ECL not credit-impaired BD '000***	***Stage 3: Lifetime ECL credit-impaired BD '000***	***Total BD '000***
Balance at 1 January	**336**	**86**	**3,345**	**3,767**
Changes during the period:				
- transferred to Stage 1: 12 month ECL	**26**	**(26)**	**-**	**-**
- transferred to Stage 2: Lifetime	**-**	**-**	**-**	**-**
ECL not credit-impaired	**-**	**287**	**(287)**	**-**
Net remeasurement of loss allowance	**(117)**	**(294)**	**135**	**(276)**
Recoveries / write-backs	**-**	**-**	**(32)**	**(32)**
Allowances for expected credit losses	**(91)**	**(33)**	**(184)**	**(308)**
Amounts written off during the period	**-**	**-**	**(3)**	**(3)**
FX translation	**-**	**-**	**(65)**	**(65)**
Balance at 30 September	**245**	**53**	**3,093**	**3,391**

	Audited 31 December 2020			
	Stage 1: 12-month ECL BD '000	*Stage 2: Lifetime ECL not credit-impaired BD '000*	*Stage 3: Lifetime ECL credit-impaired BD '000*	*Total BD '000*
Balance at 1 January	65	213	2,687	2,965
Changes during the year:	-	-	-	
- transferred to Stage 1: 12 month ECL	20	(6)	(14)	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(2)	138	(136)	-
- transferred to Stage 3: Lifetime ECL credit-impaired	-	(20)	20	-
Net remeasurement of loss allowance	253	(238)	892	907
Recoveries / write-backs	-	-	(70)	(70)
Allowances for expected credit losses	271	(126)	692	837
Amounts written off during the year	-	-	(1)	(1)
FX translation	-	(1)	(33)	(34)
Balance at 31 December	336	86	3,345	3,767

5 MUSHARAKA

	Reviewed 30 September 2021			Audited 31 December 2020		
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000
Musharaka	21,888	130,016	151,904	12,683	123,170	135,853
Less: Allowance for expected credit losses (5.1)	-	(4,017)	(4,017)	-	(3,798)	(3,798)
	21,888	125,999	147,887	12,683	119,372	132,055

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 2021				Audited 31 December 2020			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Good (1-4)	127,502	3,137	-	130,639	76,921	37,343	-	114,264
Satisfactory (5-7)	6,413	10,634	-	17,047	6,121	11,509	-	17,630
Default (8-10)	-	-	4,218	4,218	-	-	3,960	3,960
	133,915	13,771	4,218	151,904	83,042	48,852	3,960	135,854

5.1 Allowances for expected credit losses

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

	Reviewed 30 September 2021			
	Stage 1: 12-month ECL BD'000	Stage 2: Lifetime ECL not credit-impaired BD'000	Stage 3: Lifetime ECL credit-impaired BD'000	Total BD'000
Balance at 1 January	**620**	**1,035**	**2,143**	**3,798**
Changes during the period:	0	0	0	
- transferred to Stage 2: Lifetime	-	-	-	
ECL credit-impaired	(24)	24	-	-
Net remeasurement of loss allowance	467	(282)	458	643
Recoveries / write-backs	-	-	(183)	(183)
Allowances for expected credit losses	443	(258)	275	460
FX translation	(39)	(66)	(136)	(241)
Balance at 30 September	**1,024**	**711**	**2,282**	**4,017**

5 MUSHARAKA (continued)

5.1 Allowances for expected credit losses (continued)

	Audited 31 December 2020			
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Balance at 1 January	421	578	1,919	2,918
Changes during the year:				
- transferred to Stage 2: Lifetime ECL not credit-impaired	(100)	100	-	-
Net remeasurement of loss allowance	312	375	427	1,114
Recoveries / write-backs	-	-	(143)	(143)
Allowances for expected credit losses	212	475	284	971
FX translation	(13)	(18)	(60)	(91)
Balance at 31 December	620	1,035	2,143	3,798

6 INVESTMENTS

	Reviewed 30 September 2021			*Audited 31 December 2020*		
	Self financed	***Jointly financed***	***Total***	*Self financed*	*Jointly financed*	*Total*
	BD '000	***BD '000***	***BD '000***	*BD '000*	*BD '000*	*BD '000*
i) Equity-type instruments at fair value through statement of income						
Quoted						
Listed equity shares	**-**	**-**	**-**	-	13	13
	-	**-**	**-**	-	13	13
ii) Equity-type instruments at fair value through equity						
Quoted						
Listed equity shares	**11,443**	**122**	**11,565**	11,598	132	11,730
Unquoted						
Unlisted equity shares	**23,877**	**184**	**24,061**	23,877	123	24,000
Managed funds	**377**	**-**	**377**	377	-	377
Real estate funds	**617**	**4,481**	**5,098**	617	1,637	2,254
	36,314	**4,787**	**41,101**	36,469	1,892	38,361
Less: Provision for impairment	**(1,906)**	**(165)**	**(2,071)**	(2,158)	(176)	(2,334)
Total equity investments	**34,408**	**4,622**	**39,030**	34,311	1,716	36,027

6 INVESTMENTS (continued)

	Reviewed 30 September 2021			Audited 31 December 2020		
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000
iii) Debt-type instruments at fair value through statement of income						
Quoted						
Sukuk	**-**	**2,054**	**2,054**	-	1,278	1,278
iv) Debt-type instruments at amortised cost (6.1)						
Quoted						
Sukuk	**203,158**	**101,694**	**304,852**	179,167	104,493	283,660
Unquoted						
Sukuk	**13,540**	**34,797**	**48,337**	13,437	38,351	51,788
	216,698	**136,491**	**353,189**	192,604	142,844	335,448
Less: Allowance for expected credit losses (6.2)	**(185)**	**(85)**	**(270)**	(243)	(13)	(256)
Total debt-type investments	**216,513**	**138,460**	**354,973**	192,361	144,109	336,470
Total investments	**250,921**	**143,082**	**394,003**	226,672	145,838	372,510

Within unquoted investments which are held at fair value through equity are investments amounting to BD 26.6 million (2020: BD 25.4 million) which are held at cost less provision 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 located in the Gulf Co-operation Council ("GCC") countries. 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 BD 355 million (2020: BD 336.2 million) have a fair value amounting to BD 358 million (2020: BD 337 million).

Investments stated at a carrying amount of BD 184 million (2020: BD 165.4 million) are placed in custody of a financial institution to secure a financing line.

6.1 Debt-type instruments at amortised cost

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 2021				Audited 31 December 2020			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Good (1-4)	**140,677**	**-**	**-**	**140,677**	140,016	-	-	140,016
Satisfactory (5-7)	**-** **194,790**	**-** **17,722**	**-** **-**	**212,512**	182,122	13,310	-	195,432
	335,467	**17,722**	**-**	**353,189**	322,138	13,310	-	335,448

6 INVESTMENTS (continued)

6.2 Allowances for expected credit losses

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

	Reviewed 30 September 2021		
	Stage 1: 12-month ECL BD'000	***Stage 2: Lifetime ECL not credit-impaired BD'000***	***Total BD'000***
Balance at 1 January	**172**	**84**	**256**
Changes during the period:			
Net remeasurement of loss allowance	**(18)**	**33**	**15**
	(18)	**33**	**15**
FX translation	**(1)**	**-**	**(1)**
Closing balance	**153**	**117**	**270**

	Audited 31 December 2020		
	Stage 1: 12-month ECL BD'000	*Stage 2: Lifetime ECL not credit-impaired BD'000*	*Total BD'000*
Balance at 1 January	112	-	112
Changes during the year:			
Net remeasurement of loss allowance	60	84	144
	60	84	144
FX translation	-	-	-
Balance at 31 December	172	84	256

7 OTHER ASSETS

	Reviewed 30 September 2021 BD '000	*Audited 31 December 2020 BD '000*
Collaterals pending sale	**5,012**	5,421
Deferred tax (7.1)	**6,151**	7,457
Advance against capital expenditure	**2,511**	2,340
Accounts receivable	**8,506**	5,113
Advance tax	**-**	251
Income receivable	**5**	135
Prepayments	**1,755**	661
Others	**1,427**	259
	25,367	21,637
Less: Provision for impairment	**(886)**	(924)
	24,481	20,713

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

	Reviewed 30 September 2021 BD'000	*Audited 31 December 2020 BD'000*
Margins received	**9,360**	13,586
Accounts payable	**7,664**	5,014
Bills payable	**16,417**	11,589
Security deposit against Ijara Muntahia Bittamleek	**377**	713
Provision for employees benefits	**3,021**	2,639
Allowance for expected credit losses-unfunded facilities	**143**	139
Charity fund	**379**	303
Operating Ijarah liability	**5,299**	-
Others	**3,912**	5,756
	46,572	39,739

9 CONTINGENCIES AND COMMITMENTS

	Reviewed 30 September 2020 BD '000	*Audited 31 December 2020 BD '000*
Letters of credit	**51,037**	39,989
Guarantees	**38,368**	22,908
Foreign exchange contracts	**111,248**	76,130
Acceptances	**7,665**	4,265
Taxation	**785**	544
Others	**18**	30
	209,121	143,866

10 INCOME FROM FINANCING

	Nine months ended 30 September	
	2021 BD '000	*2020 BD '000*
Income from receivables	**8,418**	14,203
Income from musharaka	**10,558**	9,512
Income from ijarah muntahia bittamleek	**5,677**	4,281
	24,653	27,996

	Nine months ended 30 September	
	2021 BD '000	*2020 BD '000*
Income from jointly financed financing assets	**22,772**	25,054
Income from self financed assets	**1,881**	2,942
	24,653	27,996

11 INCOME FROM INVESTMENTS

	Nine months ended 30 September	
	2021	2020
	BD '000	BD '000
Yield, coupon or return on investments	**14,231**	11,289
Gain on sale of investments	**1,464**	2,990
Unrealized loss on revaluation of investment properties	**-**	20
Income from properties	**500**	(309)
	16,195	13,990
Income from jointly financed investments	**4,237**	3,540
Income from self financed investments	**11,958**	10,450
	16,195	13,990

12 REVENUE FROM BANKING SERVICES

	Nine months ended 30 September	
	2021	2020
	BD '000	BD '000
Fees and commissions	**2,326**	1,680
Letters of credit and acceptances	**790**	406
Guarantees	**206**	109
	3,322	2,195

13 OTHER INCOME

	Nine months ended 30 September	
	2021	2020
	BD '000	BD '000
Foreign exchange gain - net	**1,425**	1,578
Others	**250**	257
	1,675	1,835

14 ALLOWANCE FOR IMPAIRMENT - NET

	Nine months ended 30 September	
(Charge) / reversal against:	**2021**	2020
	BD '000	BD '000
Receivables	**(3,442)**	(3,280)
Ijara Muntahia Bittamleek and ijara receivables	**308**	(626)
Musharaka	**(460)**	(1,552)
Investments - debt type	**(15)**	(169)
Investments - equity type	**184**	76
Off balance sheet items	**(8)**	(78)
Other assets	**-**	(20)
	(3,433)	(5,649)

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:

	Middle East		*Other Asian Countries*		*Total*	
	30 September 2021 BD '000	*31 December 2020 BD '000*	***30 September 2021 BD '000***	*31 December 2020 BD '000*	***30 September 2021 BD '000***	*31 December 2020 BD '000*
Assets	**578,356**	551,560	**456,708**	448,236	**1,035,064**	999,796
Liabilities, equity of investment accountholders and Subordinated debts	**510,967**	487,030	**421,934**	411,944	**932,901**	898,974

	Middle East		*Other Asian Countries*		*Total*	
	Nine months ended 30 September		*Nine months ended 30 September*		*Nine months ended 30 September*	
	2021 BD '000	*2020 BD '000*	***2021 BD '000***	*2020 BD '000*	***2021 BD '000***	*2020 BD '000*
Total operating income	**12,954**	12,709	**14,986**	13,945	**27,940**	26,654
Total expenses	**(9,596)**	(9,527)	**(9,605)**	(9,407)	**(19,201)**	(18,934)
Provision for impairment - net	**(1,175)**	(2,595)	**(2,258)**	(3,054)	**(3,433)**	(5,649)
Taxation	**-**	-	**(1,679)**	(754)	**(1,679)**	(754)
Net income for the period	**2,183**	587	**1,444**	769	**3,627**	1,356

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 2021 BD '000	*31 December 2020 BD '000*	***30 September 2021 BD '000***	*31 December 2020 BD '000*	***30 September 2021 BD '000***	*31 December 2020 BD '000*
Assets:						
Cash and balances with banks and financial institutions	**2**	2	**153**	1,925	**155**	1,927
Receivables	**-**	-	**5,572**	6,649	**5,572**	6,649
Musharaka	**-**	-	**512**	647	**512**	647
Investments	**8,232**	7,614	**31,680**	29,797	**39,912**	37,411
Other assets	**3,334**	2,573	**-**	-	**3,334**	2,573
	11,568	10,189	**37,917**	39,018	**49,485**	49,207
Liabilities:						
Current accounts	**2,535**	4,850	**1,910**	11,522	**4,445**	16,372
Other liabilities	**2**	37	**3,639**	340	**3,641**	377
	2,537	4,887	**5,549**	11,862	**8,086**	16,749
Equity of investment accountholders	**7,365**	2,723	**9,691**	16,206	**17,056**	18,929
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	**13,516**	11,625	**45,443**	47,479	**58,959**	59,104
Contingencies and commitments	**834**	1	**9,145**	11,655	**9,979**	11,656

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

	Shareholders		*Other Related Parties*		*Total*	
	30 September 2021 BD '000	*30 September 2020 BD '000*	***30 September 2021 BD '000***	*30 September 2020 BD '000*	***30 September 2021 BD '000***	*30 September 2020 BD '000*
Income						
Income from jointly financed sales	**-**	-	**118**	192	**118**	192
Income from jointly financed, other financings and investments		-	**26**	25	**26**	25
Other income	**90**	90	**1**	-	**91**	90
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	**-**	6	**-**	35	**-**	41
	90	96	**145**	252	**235**	348
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	**2**	20	**145**	267	**147**	287
Other expenses	**99**	99	**575**	527	**674**	626
	101	119	**720**	794	**821**	913

16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	Nine months ended 30 September	
	2021	*2020*
	BD '000	*BD '000*
Salaries	**1,274**	1,158
Other benefits	**548**	516
	1,822	1,674

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 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% (reduced to 80% upto 31 December 2021). The Group's consolidated NSFR ratio as of 30 September 2021 is 201.20%.

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

	Unweighted Values (i.e. before applying relevant factors)				
Item	*No specified maturity BD '000*	*Less than 6 months BD '000*	*More than 6 months and less than one year BD '000*	*Over one year BD '000*	*Total weighted value BD '000*
Available Stable Funding (ASF):					
Capital:	**75,872**	**-**	**-**	**4,469**	**80,341**
Regulatory Capital	75,872	-	-	-	75,872
Other Capital Instruments	-	-	-	4,469	4,469
Retail deposits and deposits from small business customers:	**-**	**358,069**	**19,700**	**6,234**	**349,993**
Stable deposits	-	74,568	270	-	71,120
Less stable deposits	-	283,501	19,430	6,234	278,873
Wholesale funding:	**-**	**356,769**	**93,252**	**24,462**	**176,976**
Operational deposits	-	-	-	-	-
Other wholesale funding	-	356,769	93,252	24462	176,976
Other liabilities:	**-**	**-**	**-**	**46,107**	**46,107**
NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	46,107	46,107
Total ASF	**75,872**	**714,838**	**112,952**	**81,272**	**653,417**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	337,804	-	-	-	17,032
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	-	65,882	-	12,761	22,644

18 NSFR REQUIREMENTS AND CALCULATION METHODOLOGY (continued)

Item	*Unweighted Values (i.e. before applying relevant factors)* No specified maturity BD '000	Less than 6 months BD '000	More than 6 months and less than one year BD '000	Over one year BD '000	*Total weighted value BD '000*
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	130,056	27,095	259,114	78,575
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	-	-	-	68,505	44,528
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	10,564	-	13,826	19,975
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	66,311	-	-	-	66,311
NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	63,953	-	-	-	63,953
OBS items	234,784	-	-	-	11,739
Total RSF	**702,852**	**206,502**	**27,095**	**354,206**	**324,757**
NSFR (%)					**201.20%**

19 FINANCIAL RISK MANAGEMENT

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 2020. Changes due to COVID-19 are as follows:

Credit Risk
The uncertainties due to COVID-19 and resultant economic volatility has impacted the Group's financing operations and is expected to affect most of the customers and sectors to some degree. Although it is difficult to assess at this stage the degree of impact faced by each sector, the main industries impacted are hospitality, manufacturing, tourism, leisure, airlines transportation, retailers, contracting, real estate and wholesale trading. Also the volatility in oil prices during the early part of 2020, had a regional impact due to its contribution to regional economies.

Considering this evolving situation, the Group has taken pre-emptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors. Payment holidays have been extended to customers, including private and SME sector, in line with the instructions of regulatory authorities. These measures may lead to lower disbursement of financing facilities, resulting in lower net financing income and decrease in other revenue.

The risk management department has also enhanced its monitoring of financing portfolio by reviewing the performance of exposures to sectors expected to be directly or indirectly impacted by COVID-19 to identify potential Significant Increase in Credit Risk (SICR). The Group has updated its inputs and assumptions for computation of Expected Credit Losses (ECL). In this regards, the ECL were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

Liquidity Risk
The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and are subject to ongoing monitoring and evaluation. The CBB has announced various measures to combat the effects of COVID-19 and to ease the liquidity in banking sector. Following are some of the significant measures that had an impact on the liquidity risk and regulatory capital profile of the Group:

- Payment holidays to eligible customers;
- Reduction of cash reserve ratio from 5% to 3%;
- Reduction of LCR and NSFR ratio from 100% to 80%; and
- Aggregate of modification loss and incremental ECL provision for stage 1 and stage 2 from March to December 2020 to be added back to Tier 1 capital for the two years ending 31 December 2020 and 31 December 2021 and thereby to deduct this amount proportionately from Tier 1 capital on an annual basis for three years ending 31 December 2022, 31 December 2023 and 31 December 2024.

19 FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)

The management of the Group has enhanced its monitoring of the liquidity and funding requirements. ALCO meetings are convened more frequently in order to carryout granular assessment of funding requirements with the objective to explore available lines of funding and to drawdown the existing funding lines as and when necessary to maintain enough liquidity at a reasonable cost of funding.

Operational risk

In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, digital modes of payment and settlement, customer acquisition and executing contracts and carrying out transactions with and on behalf of the customers. The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted. The operational risk department has carried out a comprehensive review of the existing control environment which includes controls over effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes and the use of internal audit to prevent and detect risks. While these risks cannot be completely eliminated, the operational risk department has considered whether to update the risk registers by identifying potential loss events based on their review of the business processes in the current environment. As of 30 September 2021, the Group did not have any significant issues relating to operational risks.

The attached financial information does not form part of the interim condensed consolidated financial statements

Spread of COVID 19 pandemic and resulted social shutdown jeopardized the economic prospects across the globe and disrupted billions of lives. In addition to loss of precious lives, such pandemic lead to plunge in investment activity amid with heightened uncertainty, erosion of human capital and the ruptures in trade and supply linkage amongst economies. Key policy maker faced severe challenges to save the people from rapidly spreading disease or potential starvation/ loss in income resulted from these resultant precautionary measures. Although, the governments and multilateral bodies introduced the fiscal stimuli (such as reduction in policy rates, sanctioning of subsidies/ grants or injecting money in economies etc.) but could not be able to contain the contraction in economies in year 2020.

During the current financial period, the uncertainties associated with prospective economic recoveries remained high, during the financial period, due to multiple waves of pandemic, evolution of new strains of virus, administrative hurdles in completing the vaccination process and lack of information about prospective capabilities of vaccine to protect from disease. Further, the fiscal stimulus programs offered by the government resulted in increase in leveraging or raising debt levels posing severe fiscal management challenges.

The Government of Bahrain, spearheaded by the National Taskforce for Combating the Coronavirus, and its associated ministries and authorities have been quick to implement their own strategies to limit both the spread of COVID-19 and its impact upon Bahrain's economy, with such strategies receiving high praise from the World Health Organization.

In order to limit the spread of COVID-19 within the country the Government of Bahrain has implemented the following:

- Health: the introduction of social distancing regulations, a requirement for individuals to always maintain a gap of no less than one meter between one another, and every so often closure of nurseries, schools and universities;

- Consumer protection: the issuing of resolutions by the Ministry of Trade, Industry of Tourism fixing the maximum prices chargeable for products such as face masks and disinfectants and prohibiting the exporting of such products for a period of three months;

- Safety: the closure of all non-essential businesses occasionally/ periodically (if able to, online trading is still permitted); and

- Law and order: a prohibition by the General Directorate of Bahrain's Criminal Investigation and Forensic Science on rumours and the spreading of fake news, with those spreading such information facing prosecution; and increased police patrols enforcing social distancing regulations.

In order to help stabilize the economy, the Government of Bahrain introduced stimulus packages to mitigate the economic impact of COVID-19 for both individuals and businesses, which includes the following key polices:

- Payments of salaries to employees of private sector;
- Waiver of electricity bills;
- Exemption from municipal fees for individuals and businesses;
- Exemption of industrial land rental fees for all businesses;
- Exemption of tourism levies for all tourism-related industry;
- Increasing the size of the liquidity support fund; and
- Redirection of all Tamkeen programs to support adversely affected businesses and the restructuring of debts issued by Tamkeen.

The Central Bank of Bahrain has introduced several regulatory measures, including:

- Multiple deferrals were offered to domestic borrowers both individuals and businesses;
- Relaxation of the loans-to-value ratio for new residential mortgages for Bahrainis;
- Increasing the maximum amount permitted by contactless payments to BHD50 ($133) from BHD20 ($53);
- Capping merchant fees imposed on debit card transactions to 0.8%;
- Provision to retail banks of concessionary repo arrangements for a period of up to six months at zero per cent interest, on a case-by-case basis;
- Reduction of the cash reserve ratio for all retail banks to 3% from 5%;
- Reduction of its one-week deposit facility, overnight deposit, one-month deposit and lending rates;
- Prohibiting retail banks from blocking the accounts of customers who have either lost their employment or have retired if that customer has a financing arrangement with the bank; and
- Requiring all foreign exchange companies to sterilise all currency, both local and foreign, which includes either exposing currency to ultraviolet irradiation or high temperatures of isolation of currency for a minimum of three days.

In essence, with our core business values and being a responsible organization, the Bank stood side by side with our community in such a time of distress. Further, the safety and security of our most precious resource, “human capital” was also been remained the utmost priority of the Bank during the current financial period.

- the Bank ensured constant supply of core banking services to our esteemed customer base, in a safer environment by following best health care standards in branches/ point of sales and practices and provision of majority of basic banking services through electronic channels;
- the Bank provided 6months profit free payment holidays and allowed utilization of credit limits without extra charge, to ease financial burden on people in such as distressed situation in financial year 2020;
- furthermore, the Bank provided additional deferments (but with profit in accordance with terms of agreements and principles of Sharia) and offered rescheduling to customers deeply suffering from financial crises;
- moreover, the Bank given donations/ support to domestic organization to increase awareness about precautionary measures against such disease and delivered financial assistance to people in need; and
- a significant amount of investment made on technologies to support work from remotely and reduce concentration of people in office to achieve the prescribed levels of social distancing. Further, the face-to-face interactions was discouraged and people were pursued to use the electronic channels for business meetings and essential communications. Furthermore, the work place was sanitized on a regular basis, essential supplies like sanitizers, masks etc. made available on desks of employees, ensured temperature check at the time of entrance of premises and encouraged staff having symptoms to stay at home.

The Bank revamped its core business strategies and practices to protect the organization from the effects of one of the biggest economic crises in human history. The Bank strictly adhered with basics of prudent banking and undertaken immediate measures given as follows:

- maintained high liquidity levels, primarily in current accounts, to meet any potential contingency;
- fresh deployments were predominantly made in easily liquefiable modes or avenues like listed sukuk, short term bills etc.
- the management was remained in close contact with customers to provide them any requisite support (like bridge financing, deferrals etc.) in management of their finances;
- effective utilization of domestic and regional relationships to accelerate the supply of liquidity and reemphasized market successful products; and
- foster growth in avenues/ customer/ business segments carrying lower risk like sovereigns.