Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2022

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

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

Introduction

We have reviewed the accompanying 30 September 2022 condensed consolidated interim financial information of Al Salam Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2022;
- the condensed consolidated income statement for the three-months and nine-months period ended 30 September 2022;
- the condensed consolidated statement of changes in equity for the nine-months period ended 30 September 2022;
- the condensed consolidated statement of cash flows for the nine-months period ended 30 September 2022; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing standards for Islamic Financial Institutions 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 30 September 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the basis of preparation and presentation as stated in note 2 of this condensed consolidated interim financial information.

KPMG

13 November 2022

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Note	***30 September 2022 (Reviewed)***	*31 December 2021 (Audited)*
		BD '000	*BD '000*
ASSETS			
Cash and balances with banks and central bank		**355,007**	309,149
Placements with financial institutions	3	**112,097**	133,860
Sovereign sukuk	4	**743,824**	613,403
Corporate sukuk	4	**36,222**	26,285
Financing assets	5	**1,209,023**	808,543
Finance lease assets	6	**772,658**	555,909
Non-trading investments	8	**107,770**	91,591
Takaful and related assets	9	**54,096**	-
Investment properties		**62,677**	57,961
Development properties		**-**	2,943
Investment in associates	10	**234,316**	14,533
Other assets	11	**63,145**	44,423
Goodwill and other intangible assets		**52,633**	25,971
TOTAL ASSETS		**3,803,468**	2,684,571
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST			
LIABILITIES			
Placements from financial institutions and customers	3	**150,935**	126,891
Customers' current accounts		**536,935**	482,739
Murabaha term financing	4	**309,736**	100,216
Takaful and related liabilities	9	**92,702**	-
Other liabilities	12	**48,851**	53,789
TOTAL LIABILITIES		**1,139,159**	763,635
EQUITY OF INVESTMENT ACCOUNTHOLDERS			
Wakala from financial institutions	13	**292,555**	299,607
Wakala and mudaraba from customers	13	**2,046,455**	1,324,570
TOTAL EQUITY OF INVESTMENT ACCOUNTHOLDERS		**2,339,010**	1,624,177
OWNERS' EQUITY			
Share capital		**249,231**	241,972
Treasury shares		**(12,021)**	(12,473)
Share premium		**209**	209
Retained earnings		**23,545**	19,531
Reserves		**30,708**	47,012
Total owners' equity		**291,672**	296,251
Non-controlling interest		**33,627**	508
TOTAL EQUITY		**325,299**	296,759
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, OWNERS' EQUITY AND NON-CONTROLLING INTEREST		**3,803,468**	2,684,571

H.E. Shaikh Khalid bin Mustahil Al Mashani
Chairman

Matar Mohamed Al Blooshi
Deputy Chairman

Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 24 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months period ended 30 September 2022

	Note	**Three months ended 30 September 2022 (Reviewed)**	*Three months ended 30 September 2021 (Reviewed)*	**Nine months ended 30 September 2022 (Reviewed)**	*Nine months ended 30 September 2021 (Reviewed)*
		BD '000	*BD '000*	**BD '000**	*BD '000*
OPERATING INCOME					
Finance income		**27,718**	20,197	**65,146**	58,343
Income from sukuk		**8,777**	6,240	**24,032**	16,634
Loss from non-trading investments, net		**(747)**	(647)	**(4,403)**	(1,951)
(Loss) / income from properties, net		**-**	(99)	**(230)**	517
Fees and commission, net		**2,723**	2,341	**7,324**	6,153
Share of profit from associates, net	10	**4,224**	359	**5,119**	2,287
Income from Takaful operations, net	14	**1,622**	-	**1,622**	-
Other (loss) / income	15	**(169)**	(808)	**727**	(431)
Total operating income		**44,148**	27,583	**99,337**	81,552
Finance expense on placements from financial institutions		**(1,258)**	(1,087)	**(2,664)**	(3,193)
Finance expense on murabaha term financing		**(1,517)**	(317)	**(2,675)**	(2,329)
Return on equity of investment accountholders before Group's share as a mudarib and wakil		**(39,438)**	(16,181)	**(74,732)**	(50,648)
Group's share as a mudarib and wakil		**25,612**	6,013	**42,753**	24,197
Share of profit of investment accountholders		**(13,826)**	(10,168)	**(31,979)**	(26,451)
Net operating income		**27,547**	16,011	**62,019**	49,579
OPERATING EXPENSES					
Staff cost		**5,839**	4,422	**15,273**	13,018
Premises cost		**591**	483	**1,400**	1,528
Depreciation and amortization		**832**	361	**1,477**	946
Other operating expenses		**7,323**	3,393	**13,494**	9,348
Total operating expenses		**14,585**	8,659	**31,644**	24,840
PROFIT BEFORE IMPAIRMENT ALLOWANCES		**12,962**	7,352	**30,375**	24,739
Net impairment charge	7	**(5,449)**	(1,860)	**(9,342)**	(8,676)
NET PROFIT FOR THE PERIOD		**7,513**	5,492	**21,033**	16,063
ATTRIBUTABLE TO:					
- Shareholders of the bank		**6,769**	5,562	**20,288**	16,224
- Non-controlling interest		**744**	(70)	**745**	(161)
		7,513	5,492	**21,033**	16,063
Basic and diluted earnings per share (fils)		**2.9**	2.3	**8.6**	6.7

H.E. Shaikh Khalid bin Mustahil Al Mashani
Chairman

Matar Mohamed Al Blooshi
Deputy Chairman

Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 24 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Amounts in BD '000s

	Attributable to shareholders of the Bank											
					Reserves							
	Share capital	*Treasury stock*	*Share premium*	*Retained earnings*	*Statutory reserve*	*Investment fair value reserve*	*Real estate fair value reserve*	*Foreign exchange translation reserve*	*Total reserves*	*Total owners' equity*	*Non-controlling interest*	*Total equity*
Balance as of 1 January 2022	**241,972**	**(12,473)**	**209**	**19,531**	**18,600**	**9,532**	**22,865**	**(3,985)**	**47,012**	**296,251**	**508**	**296,759**
Net profit for the period	-	-	-	**20,288**	-	-	-	-	-	**20,288**	**745**	**21,033**
Movement in fair value, net	-	-	-	-	-	**(8,465)**	**(57)**	-	**(8,522)**	**(8,522)**	-	**(8,522)**
Reclassified to amortized cost	-	-	-	-	-	**(4,627)**	-	-	**(4,627)**	**(4,627)**	-	**(4,627)**
Associate share of fair value movement	-	-	-	-	-	**(2,829)**	-	-	**(2,829)**	**(2,829)**	-	**(2,829)**
Foreign currency re-translation	-	-	-	-	-	-	-	**(326)**	**(326)**	**(326)**	-	**(326)**
Total recognised income and expense	-	-	-	**20,288**	-	**(15,921)**	**(57)**	**(326)**	**(16,304)**	**3,984**	**745**	**4,729**
Bonus shares issued	**7,259**	-	-	**(7,259)**	-	-	-	-	-	-	-	-
Cash dividend for the year 2021	-	-	-	**(9,121)**	-	-	-	-	-	**(9,121)**	-	**(9,121)**
Movement of treasury shares, net	-	**452**	-	**106**	-	-	-	-	-	**558**	-	**558**
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	**32,374**	**32,374**
Balance at 30 September 2022	**249,231**	**(12,021)**	**209**	**23,545**	**18,600**	**(6,389)**	**22,808**	**(4,311)**	**30,708**	**291,672**	**33,627**	**325,299**
Balance as of 1 January 2021	230,450	(7,530)	12,209	(5,549)	21,778	9,844	23,348	(3,784)	51,186	280,766	401	281,167
Impact of adopting FAS 32	-	-	-	57	-	-	-	-	-	57	-	57
Balance as at 1 January 2021 (restated)	230,450	(7,530)	12,209	(5,492)	21,778	9,844	23,348	(3,784)	51,186	280,823	401	281,224
Net profit for the period	-	-	-	16,224	-	-	-	-	-	16,224	(161)	16,063
Movement in fair value	-	-	-	-	-	2,045	(483)	-	1,562	1,562	-	1,562
Foreign currency re-translation	-	-	-	-	-	-	-	2,190	2,190	2,190	-	2,190
Total recognised income and expense	-	-	-	16,224	-	2,045	(483)	2,190	3,752	19,976	(161)	19,815
Bonus share issued	11,522	-	-	(11,522)	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	(12,000)	17,315	(5,315)	-	-	-	(5,315)	-	-	-
Transfer to statutory reserve	-	-	-	(243)	243	-	-	-	243	-	-	-
Movement of treasury shares, net	-	(2,213)	-	-	-	-	-	-	-	(2,213)	-	(2,213)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	345	345
Balance at 30 September 2021	241,972	(9,743)	209	16,282	16,706	11,889	22,865	(1,594)	49,866	298,586	585	299,171

The attached notes 1 to 24 form part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months period ended 30 September 2022

	30 September 2022 (Reviewed)	*30 September 2021 (Reviewed)*
	BD '000	*BD '000*
OPERATING ACTIVITIES		
Net profit for the period	**21,033**	16,063
Adjustments:		
Depreciation	**1,477**	946
Amortisation of premium on sukuk - net	**1,180**	-
Loss from non-trading investments and properties	**4,633**	1,434
Net impairment charge	**9,342**	8,676
Share of results from associates	**(5,119)**	(2,287)
Operating income before changes in operating assets and liabilities	**32,546**	24,832
Changes in operating assets and liabilities:		
Mandatory reserve with central bank	**(59,781)**	(9,770)
Financing assets and finance lease assets	**(139,325)**	(27,355)
Takaful and related assets	**10,307**	-
Other assets	**(47,182)**	(9,479)
Placements from financial institutions	**9,676**	38,333
Customers' current accounts	**18,924**	58,387
Takaful and related liabilities	**56,363**	-
Other liabilities	**(4,784)**	1,081
Equity of investment accountholders	**(39,822)**	306,825
Net cash (used in) / from operating activities	**(163,078)**	382,854
INVESTING ACTIVITIES		
Acquisition of sovereign sukuk	**(115,542)**	(162,999)
Acquisition of corporate sukuk	**(10,085)**	(7,431)
Cash acquired as part of business combination	**71,711**	-
Disposal of non-trading investments and properties	**(22,642)**	9,138
Purchase of premises and equipment	**3,722**	(1,187)
Net cash used in investing activities	**(72,836)**	(162,479)
FINANCING ACTIVITIES		
Drawdown / (repayment) of murabaha term financing	**209,520**	(93,098)
Dividends paid	**(9,121)**	(1,139)
Net movement in treasury shares	**558**	(2,213)
Net cash from / (used in) financing activities	**200,957**	(96,450)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(34,957)**	123,925
Cash and cash equivalents at 1 January	**395,947**	291,645
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**360,990**	415,570
Cash and cash equivalents comprise of:*		
Cash and other balances with central bank	**152,189**	80,527
Balances with other banks **	**96,704**	184,067
Placements with financial institutions with original maturities of less than 90 days	**112,097**	150,976
	360,990	415,570

* Cash and cash equivalents is gross of the expected credit loss of BD 135 thousand (2021: BD 227 thousand).

** Balances with other banks is net of restricted cash of BD 5,639 thousand which is not available for day to day operations.

The attached notes 1 to 24 form part of the condensed consolidated interim financial information.

1 REPORTING ENTITY

Al Salam Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No. 21/2001 and registered with Ministry of Industry and Commerce ("MOIC") under Commercial Registration number 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and operates under Islamic principles in accordance with all relevant regulatory guidelines for Islamic banks issued by the Central Bank of Bahrain (“CBB”).

The Bank’s registered office is at Building 935, Road 1015, Block 410, Sanabis, Kingdom of Bahrain. The Bank's ordinary shares are listed in Bahrain Bourse and Dubai Financial Market.

In the first quarter of 2022, the Bank entered into definitive discussions in relation to the acquisition of certain group of assets from Ithmaar Holding's group of companies consisting of the consumer banking business of Ithmaar Bank, the entire 26.19% underlying shareholdings of Ithmaar Holding in Bank of Bahrain and Kuwait B.S.C. (BBK) and 55.91% holdings in Solidarity Group Holding, subject to the requisite approvals and signing of definitive agreements. The acquisition has been completed on 7 July 2022 after obtaining required regulatory and corporate approvals.

The Bank's effective holding in below principal subsidiaries are as follows:

			% holding	
Name of entity	**Country of incorporation**	**Principal activities**	**2022**	2021
Al Salam Bank- Seychelles (ASBS)	Seychelles	Provide Banking services	**70%**	70%
Solidarity Group Holding BSC (c)	Bahrain	Holding Company	**55.91%**	-

The Bank and its principal banking subsidiary operates through 23 branches (2021: 9 branches) in the Kingdom of Bahrain and 1 branch (2021: 1 branch) in ASBS and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted for under the CBB's Regulated Islamic Banking Services as defined in the licensing framework. (Refer note 23).

These condensed consolidated interim financial information have been authorised for issue in accordance with a resolution of the Board of Directors dated 13 November 2022.

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) and applicable rules and regulations issued by the CBB.

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI standards the group uses guidance from the relevant International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). Accordingly, the condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’, using ‘Financial Accounting Standards'.

The accounting policies used in the preparation of annual audited consolidated financial information of the Group for the year ended 31 December 2020 and 31 December 2021 were in accordance with FAS as modified by CBB (refer to the Group’s audited financial statements for the year ended 31 December 2021 for the details of the COVID-19 related modifications applied). Since the CBB modification were specific to the financial year 2020 and no longer apply to both the current and comparative periods presented, the Group’s interim financial information for the nine months ended 30 September 2022 has been prepared in accordance with FAS issued by AAOIFI (without any modifications).

The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

2 BASIS OF PREPARATION AND PRESENTATION (continued)

2.1 COVID-19 IMPACT

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. The estimation uncertainty is associated with the extent and duration of the expected economic downturn and forecasts for key economic factors including GDP, employment, oil prices etc. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns.

The management and the Board of Directors (BOD) has been closely monitoring the potential impact of the COVID 19 developments on the Group’s operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements.

In preparing the condensed consolidated interim financial information, judgements made by management in applying the Group’s accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

As of 30 September 2022, the Bank is compliant with the required regulatory capital adequacy ratio, net stable funding ratio and liquidity coverage ratios.

2.2 SIGNIFICANT ACCOUNTNG POLICIES

Accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2021.

A. New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2022.

FAS 38 Wa’ad, Khiyar and Tahawwut

AAOIFI has issued FAS 38 Wa’ad, Khiyar and Tahawwut in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosures in relation to shariah compliant Wa’ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions. This standard is effective for the financial reporting periods beginning on or after 1 January 2022 with an option to early adopt.

This standard classifies Wa’ad and Khiyar arrangements into two categories as follows:

a) “ancillary Wa’ad or Khiyar” which is related to a structure of transaction carried out using other products i.e. Murabaha, Ijarah Muntahia Bittamleek, etc.; and

b) “product Wa’ad and Khiyar” which is used as a stand-alone Shariah compliant arrangement.

Further, the standard prescribes accounting for constructive obligations and constructive rights arising from the stand-alone Wa’ad and Khiyar products and accounting for Tahawwut (hedging) arrangements based on a series of Wa’ad and Khiyar contracts.

There was no material impact on the Group upon adoption of this standard.

2.3 SIGNIFICANT ACCOUNTNG POLICIES (continued)

B. New standards, amendments, and interpretations issued but not yet effective.

(i) FAS 39 Financial Reporting for Zakah

AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period.

The Group is assessing the impact of adoption of this standard.

ii) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2023 with an option to early adopt.

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.

2.4 SHARE CAPITAL

a) The shareholders in their Annual General Meeting held on 17 March 2022 approved to issue 72,591,683 bonus shares of BD 7,259 thousand representing 3% of issued share capital. The total outstanding shares as of 30 September 2022 were 2,492,314,429 shares (2021: 2,419,722,746 shares). The calculation of basic and diluted earnings per share for previous period has also been adjusted to reflect the impact of bonus shares.

b) The shareholders in their Extraordinary General Meeting held on 14 March 2022 approved increase in authorized share capital from 2.5 billion shares to 5 billion shares.

3 PLACEMENTS WITH / FROM FINANCIAL INSTITUTIONS AND CUSTOMERS

These represent short-term interbank placements to and from financial institution in the form of murabaha and wakala contracts.

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
Placements with financial institutions		
Wakala asset	**82,193**	93,584
Commodity murabaha asset	**29,961**	40,282
Allowance for credit losses	**(57)**	(6)
	112,097	133,860
Placements from financial institutions		
Commodity murabaha Iiability	**150,935**	126,891
	150,935	126,891

4 SOVEREIGN SUKUK AND CORPORATE SUKUK

Reclassification of Sukuk portfolio

In anticipation of the short-term and long-term liquidity needs arising from the combined banking business and the wider transaction, during the period, the Bank has re-assessed the objective of its treasury portfolio wherein it would manage the underlying assets under two distinct business models:

- Held-to-collect business model – This portfolio includes short-term and long-term Sukuk and treasury instruments that are held to meet core liquidity requirements and consist of high-quality liquid assets that are typically held to their contractual maturity. Assets under this model are classified and measured at amortised cost. Although management considers fair value information, it does so from a liquidity perspective, and the main focus of its review of financial information under this business model is on the credit quality and contractual returns.

- Both held-to-collect and for sale business model: The remaining treasury portfolio will be held under active treasury management to collect both contract cash flows and for sale. The key management personnel consider both of these activities as integral in achieving the objectives set for the Treasury business unit. This portfolio, while generating returns primarily through yield, is also held to meet expected or unexpected commitments, or to fund anticipated acquisitions or growth in other business units. Assets under this model are classified and measured at fair value through equity.

Until 31 March 2022, the Bank classified its whole Sukuk portfolio as FVTE only under a ‘both held-to-collect and for sale’ business model. The Board of Directors have assessed that the business combination has significantly changed the liquidity profile and strategy within the Bank and the above reclassification of the treasury portfolio best reflects the way the assets will be managed in order to meet the objectives of the new business model and information is provided to management. Due to the above change in the business model, the Bank has reclassified its treasury portfolio as at 1 April 2022 as follows:

Assets subject to reclassification	***Fair value through equity (FVTE)***	***Reversal of amounts recognized in investment fair value reserve***	***Reclassified to Amortised cost***
	BD '000	***BD '000***	***BD '000***
Sovereign Sukuk	**437,040**	**(4,519)**	**432,521**
Corporate Sukuk	**12,032**	**(108)**	**11,924**

In line with the requirements of FAS 33 ‘Investments in Sukuk, shares and similar instruments’, the investment is reclassified at the reclassification date, considering as if it was always measured at amortised cost. The cumulative gain or loss previously recognized in equity is removed from equity and adjusted against the fair value of the investment at the reclassification date.

4 SOVEREIGN SUKUK AND CORPORATE SUKUK (continued)

	30 September 2022 (Reviewed)		
	Sovereign Sukuk	*Corporate Sukuk*	*Total*
	BD '000	*BD '000*	*BD '000*
Carried at FVTE			
At 1 January 2022	**606,914**	**26,228**	**633,142**
Reclassification to amortised cost	**(437,040)**	**(12,032)**	**(449,072)**
Purchases	**87,271**	**4,055**	**91,326**
Sale/ redemption	**(84,218)**	**(1,884)**	**(86,102)**
Fair value movement	**(7,792)**	**(673)**	**(8,465)**
Profit accruals	**2,662**	**53**	**2,715**
Closing balance	**167,797**	**15,747**	**183,544**

This includes sukuk with carrying value of BD 87,682 thousand (2021: BD 169,634 thousand) which are pledged against murabaha term financing.

Carried at Amortised cost			
At 1 January 2022	**-**	**-**	**-**
Reclassification from FVTE	**437,040**	**12,032**	**449,072**
Reclassification of cumulative reserve	**(4,519)**	**(108)**	**(4,627)**
Purchases	**164,895**	**38,443**	**203,338**
Transfer/ redemption	**(28,245)**	**(29,897)**	**(58,142)**
Impairment / reversal	**334**	**(11)**	**323**
Amortisation	**(276)**	**-**	**(276)**
Profit accruals	**6,798**	**16**	**6,814**
Closing balance	**576,027**	**20,475**	**596,502**
	743,824	**36,222**	**780,046**

This includes sukuk with carrying value of BD 292,355 thousand (2021: nil) which are pledged against murabaha term financing.

5 FINANCING ASSETS

	30 September 2022 (Reviewed)				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Murabaha financing	**635,072**	**31,336**	**10,682**	**10,521**	**687,611**
Mudaraba financing	**481,458**	**20,720**	**6,698**	**-**	**508,876**
Musharaka financing	**16,455**	**14,338**	**276**	**-**	**31,069**
Credit cards	**15,133**	**36**	**546**	**240**	**15,955**
Total financing assets	**1,148,118**	**66,430**	**18,202**	**10,761**	**1,243,511**
Allowance for credit losses (note 7)	**(13,145)**	**(10,839)**	**(10,504)**	**-**	**(34,488)**
	1,134,973	**55,591**	**7,698**	**10,761**	**1,209,023**

	31 December 2021 (Audited)				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Murabaha financing	359,470	27,008	7,613	-	394,091
Mudaraba financing	382,005	15,525	6,264	-	403,794
Musharaka financing	32,950	-	277	-	33,227
Credit cards	3,566	34	571	-	4,171
Total financing assets	777,991	42,567	14,725	-	835,283
Allowance for credit losses	(11,743)	(6,955)	(8,042)	-	(26,740)
	766,248	35,612	6,683	-	808,543

Murabaha financing is reported net of deferred profits of BD 72,209 thousand (2021: BD 29,007 thousand).

POCI financial assets

Purchased or Originated Credit Impaired (POCI) financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

6 FINANCE LEASE ASSETS

	30 September 2022 (Reviewed)				
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Finance lease assets	**720,583**	**39,913**	**13,639**	**7,698**	**781,833**
Allowance for impairment (note 7)	**(3,768)**	**(525)**	**(4,882)**	**-**	**(9,175)**
	716,815	**39,388**	**8,757**	**7,698**	**772,658**

	31 December 2021 (Audited)				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Finance lease assets	522,917	33,178	9,288	-	565,383
Allowance for impairment	(3,285)	(324)	(5,865)	-	(9,474)
	519,632	32,854	3,423	-	555,909

7 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

The balance of allowance for credit losses in the below table includes all financial assets, finance lease assets and off-balance sheet exposures.

	30 September 2022 (Reviewed)				
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Balance at the beginning of the period	**15,627**	**7,332**	**21,525**	**-**	**44,484**
Changes due to receivables recognised in opening balance that have:					
- transferred to Stage 1: 12 month ECL	**802**	**(801)**	**(1)**	**-**	**-**
- transferred to Stage 2: Lifetime ECL not credit-impaired	**(1,334)**	**2,451**	**(1,117)**	**-**	**-**
- transferred to Stage 3: Lifetime ECL credit-impaired	**(713)**	**(8)**	**721**	**-**	**-**
Net remeasurement of loss allowance	**4,877**	**2,392**	**2,584**	**(355)**	**9,498**
Recoveries / write-backs	**-**	**-**	**(156)**	**-**	**(156)**
Allowance for credit losses	**3,632**	**4,034**	**2,031**	**(355)**	**9,342**
Exchange adjustments and other transfers	**(1,416)**	**-**	**(3)**	**355**	**(1,064)**
Amounts written off during the period - net	**-**	**-**	**(120)**	**-**	**(120)**
Balance at the end of the period	**17,843**	**11,366**	**23,433**	**-**	**52,642**

	30 September 2022 (Reviewed)				
	Stage 1: 12-month ECL	***Stage 2: Lifetime ECL not credit-impaired***	***Stage 3: Lifetime ECL credit-impaired***	***POCI***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Cash and balances with banks and central bank	**78**	**-**	**-**	**-**	**78**
Placements with financial institutions	**57**	**-**	**-**	**-**	**57**
Sovereign sukuk	**439**	**-**	**-**	**-**	**439**
Corporate sukuk	**165**	**-**	**-**	**-**	**165**
Financing assets	**13,145**	**10,839**	**10,504**	**-**	**34,488**
Finance lease assets	**3,768**	**525**	**4,882**	**-**	**9,175**
Loans and advances to customers					
- Assets under conversion	**7**	**2**	**5,532**	**-**	**5,541**
- Other receivables	**43**	**-**	**2,183**	**-**	**2,226**
Financing commitments and financial guarantee contracts	**141**	**-**	**332**	**-**	**473**
	17,843	**11,366**	**23,433**	**-**	**52,642**

The POCI assets are currently carried at 51% compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) are carried at 43% (i.e. effective loss coverage of 57%) compared to their original contractual outstanding amounts.

7 MOVEMENT IN NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT (continued)

	30 September 2021 (Reviewed)				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Balance at the beginning of the period	14,546	6,035	26,719	-	47,300
Changes due to receivables recognised in opening balance that have:					
- transferred to Stage 1: 12 month ECL	2,303	(2,279)	(24)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(465)	3,876	(3,411)	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(87)	(272)	359	-	-
Net remeasurement of loss allowance	(205)	3,865	6,397	-	10,057
Recoveries / write-backs	-	(85)	(1,296)	-	(1,381)
Allowance for credit losses	1,546	5,105	2,025	-	8,676
Exchange adjustments and other transfers on settlement	-	-	(8)	-	(8)
Amounts charged back during the period - net	-	-	334	-	334
Balance at the end of the period	16,092	11,140	29,070	-	56,302

	30 September 2021 (Reviewed)				
	Stage 1: 12-month ECL	*Stage 2: Lifetime ECL not credit-impaired*	*Stage 3: Lifetime ECL credit-impaired*	*POCI*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Cash and balances with banks and central bank	218	-	-	-	218
Placements with financial institutions	9	-	-	-	9
Sovereign sukuk	742	-	-	-	742
Corporate sukuk	25	-	-	-	25
Financing assets	11,548	10,645	19,057	-	41,250
Finance lease assets	3,126	372	3,845	-	7,343
Loans and advances to customers					
- Assets under conversion	35	-	3,706	-	3,741
- Other receivables	43	-	2,183	-	2,226
Financing commitments and financial guarantee contracts	346	123	279	-	748
	16,092	11,140	29,070	-	56,302

8 NON-TRADING INVESTMENTS

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
At fair value through profit or loss:		
Equity securities	**87,681**	90,939
Funds	**8,139**	302
At fair value through equity	**11,950**	350
	107,770	91,591

The Group has 40% stake (2021: 40%) in Manara Developments Company B.S.C.(c) ("Manara") & Bareeq Al Retaj Real Estate Services WLL ("Bareeq"), incorporated in Bahrain and engaged in the business of property development. The investments are being fair valued through income statement using the fair value scope exemption of FAS 24. As part of restructuring, net assets of Manara will be novated to Bareeq, which is pending legal formalities.

9 TAKAFUL ASSETS AND LIABILITIES

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
Reinsurer’s share of outstanding claims	**8,077**	-
Reinsurer’s share of unearned contribution	**15,625**	-
Insurance and other receivables	**30,394**	-
Takaful assets	**54,096**	-
Outstanding claims	**25,784**	-
Unearned contributions and other reserves	**38,446**	-
Unearned commission	**754**	-
Insurance and other payable	**27,718**	-
Takaful liabilities	**92,702**	-

10 INVESTMENT IN ASSOCIATES, NET

The Group has a 14.42% (2021: 14.42%) stake in Al Salam Bank Algeria (“ASBA"), an Islamic commercial bank incorporated in Algeria. The Bank has representation on the board of ASBA through which the Bank exercises significant influence on ASBA.

The Group has a 20.94% (2021: 20.94%) stake in Gulf African Bank ("GAB"), an Islamic commercial bank incorporated as the first Islamic bank in Kenya on August 2006, licensed by the Central Bank of Kenya.

Further, during the period, as part of its acquisition of the retail business of Ithmaar Holding (refer note 1), the Group acquired economic interests in a sharia compliant financing arrangement provided to Al Salam International W.L.L. (“ASI”), who is the holder of 26.19% stake in Bank of Bahrain and Kuwait B.S.C. (“BBK”), a retail bank incorporated in Bahrain and licensed by the Central Bank of Bahrain (note 23). ASI’s investment in BBK forms part of a security package assigned to the Bank under a shariah compliant financing structure. The Bank or its investment accountholders do not directly participate in the underlying business activities of ASI and are not legal owners of its underlying assets. The returns generated by the Bank are to the extent of the profit and the respective repayment, if any, generated from the sharia compliant financing arrangement only. As per the requirements of the financial accounting standards, the effective economic interest of this arrangement is recognized in these financial statements.

The Bank uses the most recent available financial statements of the associates in applying the equity method of accounting. In general, for listed and overseas associates that do not prepare financials under the same reporting framework, the Bank uses reported results of associates of the previous quarter for the purpose of its equity accounting.

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
Balance at the beginning of the period	**14,533**	12,036
Acquisitions during the period (note 23)	**217,820**	-
Share of profits	**5,119**	2,697
Share of other changes is equity	**(2,829)**	-
Foreign exchange differences	**(327)**	(200)
Balance at end of the period	**234,316**	14,533

The following table summarises financial information of the Group's material investment in associates as reported by the respective associates, adjusted for fair value adjustments on acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interests.

	Indirect exposure BBK
	BD '000
Group's holding	**26.19%**
Total assets	**3,754,514**
Total liabilities	**3,169,700**
Net assets (100%)	**584,814**
Group's share of recognised net assets	**153,163**
Acquisition accounting related adjustments	**65,202**
Carrying amount of interest in associate	**218,365**

	BBK	**Other insignificant associates**
	BD '000	***BD '000***
Revenue	**63,200**	**21,068**
Profit (100%)	**32,630**	**14,392**
Other change in equity (comprehensive income)	**(10,800)**	**-**
Total comprehensive income (100%)	**19,770**	**6,676**
Group's share of profits	**3,654**	**1,465**
Groups share of other changes in equity	**(2,829)**	**-**

The market value of listed associates with carrying value of BD 218.4 million stood at BD 210.6 million as at 30 September 2022. The values were determined using value per market value per share and was not adjusted for any block holdings or unit of account related adjustments.

11 OTHER ASSETS

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
Assets under conversion (a)		
Loans and advances to customers	**1,344**	2,174
Non-trading investments - fair value through equity (b)	**1,939**	192
	3,283	2,366
Other receivables and advances (c)	**38,620**	31,408
Prepayments	**1,891**	1,682
Premises and equipment including right of use assets	**19,351**	3,609
Assets held- for- sale (d)	**-**	5,358
	63,145	44,423

(a) These represent non-Shari'a compliant assets resulting from the acquisition of ASBS, BMI B.S.C. (c) and Bahraini Saudi Bank B.S.C. Income derived from these assets are transferred to charity payable and as such are not recognised as revenue in the consolidated income statement. During the period under review, Shari'a prohibited income amounting to BD 79 thousand (2021: BD 291 thousand) has been transferred to charity, which has been included under "Accounts payable and accruals" (note 10).

(b) The above fair value through equity investments are classified as Level 3 in the fair value hierarchy. Movements in fair value through equity investments are as follows:

	Fair value measurement using significant unobservable inputs Level 3	
	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
At 1 January	**192**	900
Purchases	**1,754**	-
Sales	**(7)**	(708)
At end of period	**1,939**	192

Loans and advances to customers - Assets under conversion

	30 September 2022 (Reviewed)			
	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***
Loans and advances to customers	**825**	**50**	**6,010**	**6,885**
Allowance for credit losses (note 7)	**(7)**	**(2)**	**(5,532)**	**(5,541)**
	818	**48**	**478**	**1,344**

	31 December 2021 (Audited)			
	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*
Loans and advances to customers	1,125	138	6,088	7,351
Allowance for credit losses	(20)	(1)	(5,156)	(5,177)
	1,105	137	932	2,174

(c) Includes advances towards investment of BD 18,627 thousand (2021: BD 14,647 thousand).

(d) During the period, the Group has sold and exited in full from its investment in subsidiary ASB Biodiesel (Hong Kong) Limited.

12 OTHER LIABILITIES

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
	BD '000	BD '000
Accounts payable	**21,040**	22,573
LC margin deposit	**6,812**	12,643
Accrued expenses	**17,919**	11,313
Project payables	**69**	69
End of service benefits and other employee related accruals	**2,538**	2,088
Allowance for credit losses relating to financing commitments and financial guarantee contracts	**473**	622
Liabilities held- for- sale (a)	**-**	4,481
	48,851	53,789

(a) During the period, the Group has sold and exited in full from its investment in subsidiary ASB Biodiesel (Hong Kong) Limited.

13 EQUITY OF INVESTMENT ACCOUNTHOLDERS (EIAH)

Equity of investment accountholders comprise:

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
	BD '000	BD '000
Wakala from financial institutions	**292,555**	299,607
Wakala and Mudaraba from customers	**2,046,455**	1,324,570
	2,339,010	1,624,177

Following assets were financed from EIAH funds:

	30 September 2022 (Reviewed)	31 December 2021 (Audited)
Assets	BD '000	BD '000
Mandatory reserve with central bank	**95,159**	35,378
Cash and other balances with central bank	**78,552**	154,025
Investment in associate	**218,365**	-
Placements with financial institutions	**78,233**	133,866
Financing assets	**1,148,118**	777,991
Finance lease assets	**720,583**	522,917
	2,339,010	1,624,177

Equity of investment accountholder's fund is commingled with Group's mudaraba and wakala funds to form one general mudaraba pool. The pooled fund are used to fund and invest in income generating assets including investments in Banking associate, however no priority is granted to any party for the purpose of investments and distribution of profits.

The Group does not allocate non-performing assets to EIAH pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to IAH accountholders. Only the profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to investment accountholders and up to 85% is retained by the Group as mudarib share. During the period, the Bank has sacrificed portion of its share of mudarib, in order to maintain a competitive profit distribution to the EIAH. The Group did not charge any administration expenses to investment account holders. The average profit rate attributed to the equity of investment accountholders based on the above ratio for the period ended 30 September 2022 was 2.25% (2021: 2.51%).

14 INCOME FROM TAKAFUL OPERATIONS, NET

	1 July to 30 September 2022 (Reviewed)	30 September 2021 (Reviewed)
	BD '000	BD '000
Net premium earned	**10,335**	-
Net commission earned	**517**	-
	10,852	-
Less: Net claims incurred	**7,373**	-
Less: Expenses – Takaful operations	**1,857**	-
Income from Takaful operations, net	**1,622**	-

15 OTHER INCOME

	30 September 2022 (Reviewed)	30 September 2021 (Reviewed)
	BD '000	BD '000
Foreign exchange (loss) / gains	**(105)**	17
Recoveries	**754**	316
Others	**78**	(764)
	727	(431)

16 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership with that of the Bank. The transactions with these parties were approved by the board of directors.

The balances with related parties at 30 September 2022 and 31 December 2021 were as follows:

	30 September 2022 (Reviewed)				
	Associates and joint ventures	***Major shareholders***	***Directors and related entities***	***Senior management***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Assets:					
Cash and balances with banks and central bank	**-**	**68**	**-**	**-**	**68**
Financing assets	**18,485**	**8,233**	**2,778**	**1,549**	**31,045**
Non-trading investments	**74,080**	**-**	**-**	**-**	**74,080**
Investment in associates	**234,316**	**-**	**-**	**-**	**234,316**
Other assets	**20,167**	**-**	**-**	**-**	**20,167**
Liabilities and equity of investment accountholders:					
Placements from financial institutions	**-**	**6,161**	**-**	**-**	**6,161**
Customers' current accounts	**5,729**	**2,623**	**4,376**	**696**	**13,424**
Equity of investment accountholders	**115**	**3,357**	**9,046**	**2,678**	**15,196**
Other liabilities	**18**	**-**	**16**	**15**	**49**
Contingent liabilities and commitments	**-**	**-**	**151**	**-**	**151**

	31 December 2021 (Audited)				
	Associates and joint ventures	*Major shareholders*	*Directors and related entities*	*Senior management*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Assets:					
Cash and balances with banks and central bank	-	76	-	-	76
Financing assets	12,828	7,413	3,166	1,618	25,025
Non trading investments	74,352	-	612	-	74,964
Investment in associates	14,533	-	-	-	14,533
Other assets	16,187	-	-	-	16,187
Liabilities and equity of investment accountholders:					
Placements from financial institutions	-	6,400	-	-	6,400
Customers' current accounts	2,150	978	2,776	707	6,611
Equity of investment accountholders	4,459	12,660	12,978	2,498	32,595
Other liabilities	10	-	26	8	44
Contingent liabilities and commitments	-	-	151	-	151

The income and expenses in respect of related parties included in the condensed consolidated income statement are as follows:

	30 September 2022 (Reviewed)				
	Associates and joint ventures	***Major shareholders***	***Directors and related entities***	***Senior management***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Income:					
Finance income	**782**	**226**	**140**	**47**	**1,195**
Fees and commission, net	**18**	**61**	**7**	**6**	**92**
Loss from non-trading investments, net	**(1,176)**	**-**	**(612)**	**-**	**(1,788)**
Loss from properties, net	**-**	**-**	**-**	**(12)**	**(12)**
Share of profit from associates	**5,119**	**-**	**-**	**-**	**5,119**
Expenses:					
Finance expense on placements from financial institutions	**-**	**118**	**-**	**-**	**118**
Share of profits on equity of investment accountholders	**12**	**74**	**195**	**42**	**323**
Other operating expenses	**-**	**-**	**970**	**-**	**970**

16 RELATED PARTY TRANSACTIONS (continued)

	30 September 2021 (Reviewed)				
	Associates and joint ventures	*Major shareholders*	*Directors and related entities*	*Senior management*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Income:					
Finance income	720	160	151	59	1,090
Loss from non-trading investments, net	(1,229)	-	(459)	-	(1,688)
Share of profit from associates	2,287	-	-	-	2,287
Expenses:					
Finance expense on placements from financial institutions	-	192	-	-	192
Share of profits on equity of investment accountholders	105	76	158	49	388
Other operating expenses	-	-	915	-	915

17 CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
Contingent liabilities on behalf of customers		
Guarantees	**60,429**	44,749
Letters of credit	**8,448**	13,117
Acceptances	**232**	1,862
	69,109	59,728
Unutilised commitments		
Unutilised financing commitments	**183,461**	121,501
Unutilised non-funded commitments	**5,125**	7,384
	188,586	128,885

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being utilized, the total contract amounts do not necessarily represent future cash requirements.

18 WA'AD BASED FX TRANSACTIONS FOR RISK MANAGEMENT

The Group entered into Wa'ad based FX transactions to manage its exposures to foreign currency risk. The fair values of FX Wa'ad instruments is as follows;

	30 September 2022 (Reviewed)		*31 December 2021 (Audited)*	
	Notional Amount	**Fair Value**	Notional Amount	Fair Value
	BD '000	***BD '000***	*BD '000*	*BD '000*
FX Wa'ad instruments				
Assets position	**67,573**	**973**	57,163	619
Liabilities position	**141,822**	**(2,135)**	19,488	(402)

The above contracts have residual maturity of up to nine months as at the end of the reporting period.

19 SEGMENT INFORMATION

Primary segment information

For management purposes, after completion of the recent acqusitions (refer note 21), the Group is organised into the following primary business segments:

Banking Principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking, private banking and wealth management in Bahrain and through the Bank's subsidiary in Seychelles. Banking segment also includes the Group's investments in banking associates which are allocated as assets attributable to the jointly financed pool of investment accountholders. Other overseas associate investments form part of the investment segment.

Treasury Principally handling Shari'a compliant money market, trading, fixed income products and treasury services including short-term commodity murabaha.

Investments Principally the Group's proprietary portfolio and asset management services to clients with a range of investment products, funds and alternative investments. These also include the Group's investmet in certain associates and joint ventures.

Takaful Represents the Group's investment in Solidaroty Group Holding BSC (c) which is pimarily involved in the business of offering Shari'a compliant takaful contracts. These comprise motor, non-motor, medical, group life and family takaful products. All activities of this business including its investment activities are reported under this segment as they are managed together along with the Takaful business.

Transactions between banking and other segments are conducted at estimated allocated internal rates. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information is disclosed as follows:

	30 September 2022 (Reviewed)					
	Banking	***Treasury***	***Investments***	***Takaful***	***Unallocated***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Finance income	**63,195**	**1,650**	**-**	**301**	**-**	**65,146**
Income from sukuk	**-**	**23,858**	**-**	**174**	**-**	**24,032**
Fees and commission, net	**5,408**	**1,915**	**1**	**-**	**-**	**7,324**
Income from investment portfolio	**-**	**-**	**(4,650)**	**17**	**-**	**(4,633)**
Share of profit from associates	**5,119**	**-**	**-**	**-**	**-**	**5,119**
Income from Takaful operations, net	**-**	**-**	**-**	**1,622**	**-**	**1,622**
Other income	**711**	**(3)**	**-**	**19**	**-**	**727**
Finance expense on placements from financial institutions	**(614)**	**(2,050)**	**-**	**-**	**-**	**(2,664)**
Finance expense on murabaha term financing	**-**	**(2,675)**	**-**	**-**	**-**	**(2,675)**
Return on equity of investment	**(28,214)**	**(3,765)**	**-**	**-**	**-**	**(31,979)**
Net operating income	45,605	18,930	(4,649)	2,133	-	62,019
Staff cost	**10,266**	**3,443**	**1,564**	**-**	**-**	**15,273**
Premises cost & depreciation	**1,996**	**635**	**246**	**-**	**-**	**2,877**
Other operating expenses	**8,324**	**2,576**	**1,534**	**1,060**	**-**	**13,494**
Operating income before impairment allowances	25,019	12,276	(7,993)	1,073	-	30,375
Net impairment charge	**(8,729)**	**(613)**	**-**	**-**	**-**	**(9,342)**
Segment result	16,290	11,663	(7,993)	1,073	-	21,033

19 SEGMENT INFORMATION (continued)

	30 September 2022 (Reviewed)					
	Banking	***Treasury***	***Investments***	***Takaful***	***Unallocated***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Segment assets	**2,237,461**	**1,234,820**	**160,777**	**116,117**	**54,293**	**3,803,468**
Segment liabilities	**2,502,534**	**842,422**	**1,090**	**84,886**	**47,237**	**3,478,169**

Goodwill and other intnagibles include BD 45,076 (2021: BD 25,970) allocated from prior acquisitions within the banking segment and BD 7,557 (2021: Nil) attributable to the insurance segment.

	30 September 2021 (Reviewed)					
	Banking	*Treasury*	*Investments*	*Takaful*	*Unallocated*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Finance income	56,736	1,607	-	-	-	58,343
Income from sukuk	-	16,634	-	-	-	16,634
Fees and commission, net	4,276	1,860	17	-	-	6,153
Income from investment portfolio	-	-	(1,434)	-	-	(1,434)
Share of profit from associates	2,287	-	-	-	-	2,287
Other (loss) / income	(431)	-	-	-	-	(431)
Finance expense on placements from financial institutions	(913)	(2,280)	-	-	-	(3,193)
Finance expense on murabaha term financing	-	(2,329)	-	-	-	(2,329)
Return on equity of investment accountholders	(26,422)	(25)	(4)	-	-	(26,451)
Net operating income	35,533	15,467	(1,421)	-	-	49,579
Staff cost	10,962	1,213	843	-	-	13,018
Premises cost & depreciation	2,300	161	13	-	-	2,474
Other operating expenses	8,003	829	516	-	-	9,348
Operating income before impairment allowances	14,268	13,264	(2,793)	-	-	24,739
Net impairment charge	(8,676)	-	-	-	-	(8,676)
Segment result	7,904	9,638	(1,479)	-	-	16,063

Segment information for the year ended 31 December 2021 (Audited) was as follows:

Segment assets	1,419,859	1,075,488	185,799	-	3,425	2,684,571
Segment liabilities	1,899,701	480,239	7,617	-	255	2,387,812

Goodwill resulting from BMI acquisition is allocated to banking segment.

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.

20 FAIR VALUE HIERARCHY

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; or

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments measured at fair value

The following table shows an analysis of the non-trading investments and sukuk portfolio carried at fair value in the condensed consolidated statement of financial position:

30 September 2022 (Reviewed)	***Level 1***	***Level 2***	***Level 3***	***Total***
	BD '000	***BD '000***	***BD '000***	***BD '000***
Sovereign sukuk at fair value through equity	**57,526**	**110,687**	**-**	**168,213**
Corporate sukuk at fair value through equity	**15,391**	**354**	**-**	**15,745**
Investment securities at fair value through income statement	**11,998**	**302**	**83,520**	**95,820**
Investment securities at fair value through equity	**9,191**	**-**	**2,759**	**11,950**
FX Wa'ad assets position	**-**	**973**	**-**	**973**
	94,106	**112,316**	**86,279**	**292,701**
FX Wa'ad liabilities position	**-**	**2,135**	**-**	**2,135**
	-	**2,135**	**-**	**2,135**

Financial instruments measured at amortized cost	***Level 1***	***Level 2***	***Level 3***	***Total***
Sovereign sukuk at amortized cost	**495,245**	**80,366**	**-**	**575,611**
Corporate sukuk at amortized cost	**10,035**	**-**	**10,442**	**20,477**
	505,280	**80,366**	**10,442**	**596,088**

The fair value of sukuk carried at amortized cost is BD 551,895 thousand.

31 December 2021 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Sovereign sukuk at fair value through equity	455,723	157,680	-	613,403
Corporate sukuk at fair value through equity	14,132	379	11,774	26,285
Investment securities at fair value through income statement	4,116	302	86,823	91,241
Investment securities at fair value through equity	-	-	350	350
FX Wa'ad assets position	-	619	-	619
	473,971	158,980	98,947	731,898
FX Wa'ad liabilities position	-	402	-	402
	-	402	-	402

The movements in fair value of non-trading investments classified in Level 3 of the fair value hierarchy are as follows:

	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
	BD '000	*BD '000*
At 1 January	**87,173**	90,559
Purchases	**2,561**	-
Fair value changes	**(3,455)**	(3,386)
	86,279	87,173

20 FAIR VALUE HIERARCHY (continued)

The sensitivity analysis for Level 3 of non-trading investments are summarized below:

Valuation technique used	**Key unobservable inputs**	**Reasonable possible shift +/- (in average input)**	**Increase / (decrease) in valuation**
Asset valuation	Underlying real estate	+/- 5%	5,853 / (5,853)
Discounted cash flow	Occupancy and discount	+/- 5% and +/-1%	1,095 / (1,197)

The movements in fair value of sukuk portfolio classified in Level 3 of the fair value hierarchy are as follows:

	30 September 2022 (Reviewed) BD '000	*31 December 2021 (Audited) BD '000*
At 1 January	**11,774**	10,551
Additions	**-**	10,994
Disposals	**-**	(9,771)
Reclassified to amortized cost	**(11,774)**	-
	-	11,774

The movements of sukuk portfolio carried at amortized cost classified in Level 3 of the fair value hierarchy are as follows:

	30 September 2022 (Reviewed) BD '000	*31 December 2021 (Audited) BD '000*
At 1 January	**-**	-
Reclassified from FVTE	**11,774**	-
Disposals	**(1,332)**	-
	10,442	-

Financial instruments not measured at fair value

The estimated fair value of yielding financing assets and financing liabilities approximates their carrying value as their pricing is not materially different to expected market return on such contracts.
The estimated fair values of other financial assets are not expected to be materially different from their carrying values as of 30 September 2022 and 31 December 2021 due to their short term nature.

21 FINANCIAL RISK MANAGEMENT

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

Russia-Ukraine conflict

The current ongoing conflict between Russia-Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any. As at 30 September 2022 the Group does not have any direct material impact of this conflict.

22 REGULATORY RATIOS

1) Liquidity Coverage Ratio (LCR)

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity year. The stock of unencumbered HQLA should enable the bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the net cash outflows. The average consolidated LCR for three months calculated as per the requirements of the CBB rulebook, as of 30 September 2022 and 31 December 2021, is as follows:

	Total weighted value BD'000	
	30 September 2022 (Reviewed)	*31 December 2021 (Audited)*
Stock of HQLA	**616,856**	579,523
Net cashflows	**269,031**	180,147
LCR %	**233.24%**	343.93%
Minimum required by CBB	**100%**	80%

2) Capital Adequacy Ratio

The primary objectives of the Group's capital management policies are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. Capital adequacy for each of the group companies is also managed separately at individual company level. The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than any restrictions that may result from the supervisory frameworks within which the banking subsidiaries operate.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The regulatory capital and risk-weighted assets have been calculated in accordance with Basel III as adopted by the CBB.

	As at	
BD'000	***30 September 2022 (Reviewed)***	*31 December 2021 (Audited)*
CET 1 Capital before regulatory adjustments	**283,795**	295,333
Less: regulatory adjustments	**25,971**	25,971
CET 1 Capital after regulatory adjustments	**257,824**	269,362
AT 1 Capital	**40**	36
T 2 Capital adjustments	**37,644**	34,596
Regulatory Capital	**295,508**	303,994
Risk weighted exposure:		
Credit Risk Weighted Assets	**1,182,538**	934,629
Market Risk Weighted Assets	**31,468**	27,314
Operational Risk Weighted Assets	**113,494**	103,250
Total Regulatory Risk Weighted Assets	**1,327,500**	1,065,193
Total Adjusted Risk Weighted Exposures	**1,327,500**	1,065,193
Capital Adequacy Ratio	**22.26%**	28.54%
Tier 1 Capital Adequacy Ratio	**19.42%**	25.29%
Minimum required by CBB	**12.50%**	12.50%

As of 30 September 2022, aggregate of modification loss of BD 16,512 thousand has been added back to Tier 1 capital.

As per CBB instructions, the above concessional treatment would be followed for two years ending 31 December 2020 and 31 December 2021, thereafter this amount will be proportionately deducted from Tier 1 capital for three years ending 31 December 2022, 31 December 2023 and 31 December 2024.

3) Net Stable Funding Ratio

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

22 REGULATORY RATIOS (continued)

3) Net Stable Funding Ratio (continued)

NSFR is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by CBB and its affective from 2019. The minimum NSFR ratio as per CBB is 100%.

The NSFR (as a percentage) as at 30 September 2022 (Reviewed) is calculated as follows:

BD'000	*Unweighted Values (before applying relevant factors)*				
Item	*No specified maturity*	*Less than 6 months*	*More than 6 months and less than one year*	*Over one year*	*Total weighted value*
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	**268,752**	**-**	**-**	**37,644**	**306,395**
Retail deposits and deposits from small business customers:					
Stable deposits	**-**	**317,549**	**22,393**	**14,398**	**337,343**
Less stable deposits	**-**	**876,468**	**317,466**	**131,258**	**1,205,799**
Wholesale funding:					
Other wholesale funding	**-**	**1,400,300**	**178,162**	**73,901**	**470,891**
Other liabilities:					
All other liabilities not included in the above categories	**-**	**62,289**	**-**	**-**	**-**
Total ASF	**268,752**	**2,656,606**	**518,021**	**257,201**	**2,320,428**
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	**-**	**-**	**-**	**-**	**32,739**
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	**-**	**191,863**	**1,491**	**8,094**	**37,619**
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	**-**	**343,933**	**142,656**	**1,239,375**	**1,272,611**
With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	**-**	**-**	**-**	**120,763**	**78,496**
Performing residential mortgages, of which:	**-**	**-**	**-**	**214,735**	**139,578**
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	**-**	**-**	**-**	**214,735**	**139,578**
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	**-**	**11,838**	**661**	**10,804**	**15,433**
Other assets:					
All other assets not included in the above categories	**543,803**	**14,010**	**-**	**73,492**	**624,300**
OBS items	**-**	**257,363**	**-**	**-**	**12,868**
Total RSF	**543,803**	**819,007**	**144,808**	**1,546,500**	**2,135,148**
NSFR (%)	**-**	**-**	**-**	**-**	**108.68%**

22 REGULATORY RATIOS (continued)

3) Net Stable Funding Ratio (continued)

The NSFR (as a percentage) as at 31 December 2021 (Audited) is calculated as follows:

BD'000	*Unweighted Values (before applying relevant factors)*				
Item	*No specified maturity*	*Less than 6 months*	*More than 6 months and less than one year*	*Over one year*	*Total weighted value*
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	272,744	-	-	34,596	307,340
Retail deposits and deposits from small business customers:					
Stable deposits	-	85,820	3,048	6,445	90,869
Less stable deposits	-	501,988	113,787	80,423	634,621
Wholesale funding:					
Other wholesale funding	-	1,322,106	149,710	56,041	522,229
Other liabilities:					
All other liabilities not included in the above categories	-	67,695	-	-	-
Total ASF	272,744	1,977,609	266,545	177,505	1,555,059
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	29,612
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	366,087	6,367	5,878	63,974
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	227,810	153,681	756,908	812,050
With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	110,335	71,718
Performing residential mortgages, of which:	-	-	-	188,086	122,256
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	188,086	122,256
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	12,743	-	3,151	9,050
Other assets:					
All other assets not included in the above categories	241,383	5,809	-	30,018	274,306
OBS items	-	188,333	-	-	9,417
Total RSF	241,383	800,782	160,048	984,041	1,320,665
NSFR (%)	-	-	-	-	117.75%

23 BUSINESS COMBINATION

In the first quarter of 2022, the Bank entered into definitive discussions in relation to the acquisition of certain group of assets from Ithmaar Holding's group of companies consisting of the consumer banking business of Ithmaar Bank, the entire 26.19% underlying shareholdings of Ithmaar Holding in Bank of Bahrain and Kuwait B.S.C. (BBK) and 55.91% holdings in Solidarity Group Holding, subject to the requisite approvals and signing of definitive agreements. The acquisition has been completed to on 7 July 2022 after obtaining required regulatory and corporate approvals.

The transaction was structured as a balanced carve out of agreed assets and liabilities of Ithmaar Holding. As consideration for acquisition of the acquired group of assets, the Group has assumed certain liabilities and equity of investment account holders of the consumer banking division of Ithmaar Bank BSC (c) of an equivalent value.

23 BUSINESS COMBINATION (continued)

Identifiable assets acquired and liabilities assumed

The transaction includes acquisition of businesses and certain assets. The fair value of assets, liabilities, equity interests will have been reported in these disclosures on a provisional basis and will be finalized within a period of 12 months from the date of acquisition. In line with the provisions of IFRS 3 "Business Combinations", if new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting will be reflected on a retrospective basis.

The reported amounts below represent the adjusted acquisition carrying values of the acquired assets and liabilities at the acquisition date:

ASSETS ACQUIRED	*BD '000*
CONSUMER BANKING BUSINESS	
Cash and bank balances	**63,240**
Financing portfolio	**456,979**
Other assets	**57**
Fixed assets	**5,449**
Intangible assets	**19,105**
Total	**544,830**
TAKAFUL BUSINESS	
Cash and balance with banks	**8,471**
Commodity and other placements with banks, financial and other institutions	**36,078**
Sukuk and investment securities	**38,437**
Investment in associates	**290**
Insurance and other receivables	**50,320**
Fixed assets	**7,792**
Other assets	**12,081**
Investment in real estate	**5,983**
Intangible assets	**7,566**
Total assets	**167,018**
Investment securities	
Investment in associates and other equity investments	**247,471**
Total assets acquired (A)	**959,319**

CONSIDERATION - LIABILITIES ASSUMED	*BD '000*
Consumer business	
Due to banks financial and other institutions	**2,211**
Customers' current accounts	**35,272**
Due to customers	**14,368**
Other liabilities	**22,995**
Total liabilities	**74,846**
Equity of investment accountholders	**754,655**
Total liabilities and equity of investment accountholders	**829,501**
Takaful business	
Other liabilities	**13,658**
Insurance related reserves	**83,271**
Total liabilities	**96,929**
Total liabilities assumed	**926,430**
Add: Non-controlling interests associated with the Takaful business recognized	**32,889**
Total consideration for the acquired assets (B)	**959,319**

As the transaction was structured as a carve-out of the consumer business alongside a selection of other assets and due to the likely effects of synergies and integration adjustments post the business transfer, it is impracticable to determine the profit or loss of the combined entity for the current reporting period assuming the acquisition-date for the whole business combination occurred at the beginning of the annual reporting date. Had the acquisition occurred on 1 January 2022, management estimates that the Group's total operating income would have been higher by BD 43.55 million.

24 COMPARATIVE FIGURES

Certain of the prior year figures have been regrouped to conform to the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.