

Al Salam Bank B.S.C.
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 September 2024

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months period ended 30 September 2024

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

To the Board of Directors

*Al Salam Bank B.S.C.
Kingdom of Bahrain*

Introduction

We have reviewed the accompanying 30 September 2024 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 2024;
- the condensed consolidated statement of income for the three-month and nine-month periods ended 30 September 2024;
- the condensed consolidated statement of total comprehensive income for the three-month and nine-month period ended 30 September 2024;
- the condensed consolidated statement of income and attribution related to quasi-equity for the three-month and nine-month period ended 30 September 2024;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2024;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2024;
- the condensed consolidated statement of changes in off-balance sheet assets under management for the nine-month period ended 30 September 2024; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with FAS 41, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 2024 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FAS 41, "Interim Financial Reporting".

12 November 2024

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

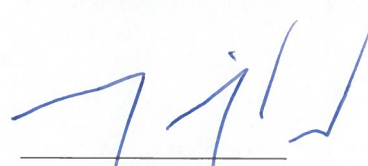
		30 September 2024 <i>(Reviewed)</i> BD '000	31 December 2023 <i>(Audited)</i> BD '000
	<i>Note</i>		
ASSETS			
Cash and balances with banks and central bank		618,635	537,874
Placements with financial institutions		340,602	293,580
Investment in sukuk	3	1,382,409	1,002,839
Financing contracts	4	3,684,553	2,676,460
Non-trading investments		98,342	100,060
Takaful and related assets	6	22,371	67,370
Investment in real estate		130,034	78,070
Investment in associates	7	233,597	231,484
Other assets		157,701	81,228
Goodwill and other intangible assets		205,368	78,145
TOTAL ASSETS		6,873,612	5,147,110
LIABILITIES, QUASI-EQUITY, OWNERS' EQUITY AND NON-CONTROLLING INTEREST			
LIABILITIES			
Placements from financial institutions and individuals		190,324	136,511
Murabaha term financing		612,478	510,848
Customers' current accounts		1,292,754	1,066,031
Takaful and related liabilities	6	69,754	114,493
Other liabilities		130,473	106,192
TOTAL LIABILITIES		2,295,783	1,934,075
QUASI-EQUITY			
Wakala from financial institutions	8	513,024	379,768
Wakala and mudaraba from customers	8	3,553,113	2,424,617
TOTAL QUASI-EQUITY		4,066,137	2,804,385
OWNERS' EQUITY			
Share capital	2.2	274,778	261,693
Treasury stock		(28,010)	(6,799)
Employees incentive scheme shares		(6,617)	(8,770)
Share premium		209	209
Retained earnings		51,534	44,348
Reserves		74,314	46,722
Equity attributable to the parents' shareholders		366,208	337,403
Subordinated Mudaraba (AT1)		67,276	-
Equity attributable to owners of the parent		433,484	337,403
Non-controlling interest		78,208	71,247
TOTAL OWNERS' EQUITY		511,692	408,650
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		6,873,612	5,147,110



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 19 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

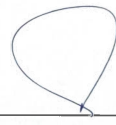
CONDENSED CONSOLIDATED INCOME STATEMENT

for the nine months period ended 30 September 2024

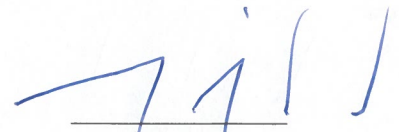
		<i>Three months ended</i>	<i>Three months ended</i>	<i>Nine months ended</i>	<i>Nine months ended</i>
		30 September 2024	30 September 2023	30 September 2024	30 September 2023
		<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Note		BD '000	BD '000	BD '000	BD '000
INCOME					
		69,680	47,473	190,697	124,503
		18,702	12,401	50,507	34,819
		(3,040)	(3,006)	(8,243)	(8,403)
		(7,324)	(5,955)	(21,279)	(16,068)
		78,018	50,913	211,682	134,851
		33	27	373	7,975
		7,196	4,124	18,820	10,940
	7	4,051	4,342	14,016	15,974
	9	1,470	1,554	4,164	5,351
	10	1,792	1,520	6,394	2,927
		92,560	62,480	255,449	178,018
EXPENSES					
		11,667	8,194	32,597	23,501
		13,734	10,246	39,371	26,883
		25,401	18,440	71,968	50,384
		67,159	44,040	183,481	127,634
	5	(5,014)	(2,521)	(14,003)	(17,720)
		62,145	41,519	169,478	109,914
		(2,069)	(1,656)	(4,853)	(2,837)
		60,076	39,863	164,625	107,077
		(43,368)	(27,230)	(115,358)	(72,576)
		16,708	12,633	49,267	34,501
ATTRIBUTABLE TO:					
		14,037	10,449	42,329	31,003
		2,671	2,184	6,938	3,498
		16,708	12,633	49,267	34,501
		4.9	4.0	15.0	11.8



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 19 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the nine months period ended 30 September 2024

	<i>Three months ended</i>	<i>Three months ended</i>	<i>Nine months ended</i>	<i>Nine months ended</i>
	<i>30 September 2024</i>	<i>30 September 2023</i>	<i>30 September 2024</i>	<i>30 September 2023</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Profit for the period	16,708	12,633	49,267	34,501
Other comprehensive income				
Items that are or may be reclassified subsequently income statement				
Fair value changes on investments carried at fair value through OCI	18,821	(2,196)	22,834	(2,518)
Movement in share of reserve of investment in associate (Quasi-equity)	(1,859)	8,275	3,150	10,659
Movement in FX translation reserve	587	(3,412)	3,399	(289)
<i>Total other comprehensive income for the period</i>	17,549	2,667	29,383	7,852
Total comprehensive income	34,257	15,300	78,650	42,353
ATTRIBUTABLE TO:				
- Owners of Parent	31,255	13,717	71,094	39,456
- Non-controlling interest	3,002	1,583	7,556	2,897

The attached notes 1 to 19 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

for the nine months period ended 30 September 2024

	<i>Three months ended</i>	<i>Three months ended</i>	<i>Nine months ended</i>	<i>Nine months ended</i>
	<i>30 September 2024</i>	<i>30 September 2023</i>	<i>30 September 2024</i>	<i>30 September 2023</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Profit before impairment and expected credit losses	67,159	44,040	183,481	127,634
Adjusted for:				
Less: income not attributable to quasi-equity	(10,503)	(11,566)	(30,397)	(28,851)
Add: expenses not attributable to quasi-equity	25,401	18,440	71,968	50,384
Less: institution's share of income for its own / share of investments	(22,731)	(10,925)	(57,471)	(27,884)
Less: allowance for impairment and expected credit losses - attributable to quasi-equity	(7,431)	-	(7,431)	-
Total income available for quasi-equity holders	51,895	39,989	160,150	121,283
Fair value reserve -net movement	-	-	-	-
Profit equalization reserve - net movement	-	-	-	-
Total income attributable to quasi-equity holders (adjusted for reserves)	51,895	39,989	160,150	121,283
Less: Mudarib's share	(763)	(354)	(3,318)	(5,665)
Less: incentives payable to Mudarib	-	-	-	-
Add: Hiba by Mudarib to the quasi-equity holders	-	-	-	-
Less: Wakala incentive	(7,764)	(12,405)	(41,474)	(43,042)
Net income attributable to quasi-equity	43,368	27,230	115,358	72,576
Investment risk reserve -net movement	-	-	-	-
Profit distributable to quasi-equity	43,368	27,230	115,358	72,576
A				
Other comprehensive income – attributable to quasi-equity - before recycling to statement of income	(1,859)	8,275	3,150	10,659
Items that will not be classified to income statement	(1,859)	8,275	3,150	10,659
Items that may subsequently be classified to income statement	-	-	-	-
	(1,859)	8,275	3,150	10,659
Add / (less): net effect of items recycled to income statement	-	-	-	-
Other comprehensive income – attributable to quasi-equity - net of recycling to income statement	(1,859)	8,275	3,150	10,659
Less: other comprehensive income not subject to immediate distribution	1,859	(8,275)	(3,150)	(10,659)
Other comprehensive income subject to immediate distribution	-	-	-	-
B				
Total profit attributable to quasi-equity	43,368	27,230	115,358	72,576
C=A+B				

The attached notes 1 to 19 form part of the condensed consolidated interm financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS EQUITY

for the Nine months period ended 30 September 2024 (Reviewed)

Amounts in BD '000s

	Attributable to shareholders of the bank															
	Reserves											Equity Subordinated Mudaraba (AT1)	Equity attributable to owners of the parent	Non- controlling interest	Total owners' equity	
	Share capital	Treasury stock	Employee incentive scheme shares	Share premium	Retained earnings	Statutory reserve	Share grant scheme	Investment fair value reserve	Real estate fair value reserve	Foreign exchange reserve	Total reserves					Equity Attributable to Parent's Shareholders
Balance at 1 January 2024	261,693	(6,799)	(8,770)	209	44,348	25,982	2,120	(2,607)	22,691	(1,464)	46,722	337,403	-	337,403	71,247	408,650
Impact of adoption of FAS 42 and 43 (note 2.1 (ii) and (iii))	-	-	-	-	(1,332)	-	-	-	-	-	-	(1,332)	-	(1,332)	(1,290)	(2,622)
Restated balance as at 1 January 2024	261,693	(6,799)	(8,770)	209	43,016	25,982	2,120	(2,607)	22,691	(1,464)	46,722	336,071	-	336,071	69,957	406,028
Profit for the period	-	-	-	-	42,329	-	-	-	-	-	-	42,329	-	42,329	6,938	49,267
Other comprehensive income	-	-	-	-	-	-	-	25,984	-	2,781	28,765	28,765	-	28,765	618	29,383
Issuance of subordinated AT1 capital	-	-	-	-	-	-	-	-	-	-	-	-	68,676	68,676	-	68,676
Issuance cost of AT1 capital	-	-	-	-	-	-	-	-	-	-	-	-	(1,400)	(1,400)	-	(1,400)
Profit distribution on AT1	-	-	-	-	(2,256)	-	-	-	-	-	-	(2,256)	-	(2,256)	-	(2,256)
Bonus shares issued	13,085	-	-	-	(13,085)	-	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2023	-	-	-	-	(17,947)	-	-	-	-	-	-	(17,947)	-	(17,947)	-	(17,947)
Movement of treasury shares, net	-	(21,211)	-	-	-	-	-	-	-	-	-	(21,211)	-	(21,211)	-	(21,211)
Shares vested	-	-	2,153	-	(23)	-	(1,173)	-	-	-	(1,173)	957	-	957	-	957
Appropriation towards charity fund	-	-	-	-	(500)	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	695	695
Balance at 30 September 2024	274,778	(28,010)	(6,617)	209	51,534	25,982	947	23,377	22,691	1,317	74,314	366,208	67,276	433,484	78,208	511,692
Balance as at 1 January 2023	249,231	(12,021)	-	209	31,691	21,759	1,934	(8,643)	22,799	(3,708)	34,141	303,251	-	303,251	34,104	337,355
Profit for the period	-	-	-	-	31,003	-	-	-	-	-	-	31,003	-	31,003	3,498	34,501
Other comprehensive income	-	-	-	-	-	-	-	8,141	-	312	8,453	8,453	-	8,453	(601)	7,852
Bonus shares issued	12,462	-	-	-	(12,462)	-	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2022	-	-	-	-	(12,359)	-	-	-	-	-	-	(12,359)	-	(12,359)	-	(12,359)
Appropriation towards charity fund	-	-	-	-	(500)	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Purchase of treasury shares	-	(2,897)	-	-	-	-	-	-	-	-	-	(2,897)	-	(2,897)	-	(2,897)
Shares vested	-	1,926	-	-	(25)	-	186	-	-	-	186	2,087	-	2,087	-	2,087
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,630	30,630
Balance at 30 September 2023	261,693	(12,992)	-	209	37,348	21,759	2,120	(502)	22,799	(3,396)	42,780	329,038	-	329,038	67,631	396,669

The attached notes 1 to 19 form part of the condensed consolidated interm financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine months period ended 30 September 2024

	<i>30 September 2024</i>	<i>30 September 2023</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
OPERATING ACTIVITIES		
Profit for the period	49,267	34,501
Adjustments:		
Tax for the period	4,853	2,837
Depreciation and amortisation	5,318	3,061
Amortisation of premium on sukuk - net	546	78
Income from securities	(373)	366
Net impairment charge on financing contracts, investments and other assets	14,003	17,720
Share of profits from associates	(14,016)	(15,974)
Operating income before changes in operating assets and liabilities	59,598	42,589
Changes in operating assets and liabilities:		
Mandatory reserve with central bank	59,520	(2,208)
Financing contracts	(38,650)	(615,273)
Takaful and related assets	44,999	(5,916)
Other assets	(50,178)	(5,534)
Placements from financial institutions and individuals	(23,949)	(43,312)
Customers' current accounts	106,965	487,258
Takaful and related liabilities	(44,739)	4,342
Other liabilities	94,195	(538,649)
Quasi-equity	109,996	391,876
Net cash from / (used in) operating activities	317,757	(284,827)
INVESTING ACTIVITIES		
Acquisition of sukuk, net	(120,745)	(123,473)
Cash acquired as part of business combination	28,007	297,407
Cash paid for business acquisition	(214,488)	-
Disposal / (acquisition) of securities and real estate	9,331	(20,558)
Dividends received from associates	15,053	17,477
Purchase of premises and equipment	(5,676)	(647)
Net cash (used in) / from investing activities	(288,518)	170,206
FINANCING ACTIVITIES		
Drawdown of murabaha term financing	91,976	148,289
Dividends paid	(17,947)	(12,359)
Issuance of AT1	68,676	-
Profit paid on AT1	(2,256)	-
Issuance cost of AT1 capital paid	(1,400)	-
Purchase of treasury shares	-	(2,897)
Net cash from financing activities	139,049	133,033
NET CHANGE IN CASH AND CASH EQUIVALENTS	168,288	18,412
Cash and cash equivalents at 1 January	711,643	383,532
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	879,931	401,944
Cash and cash equivalents comprise of:*		
Cash and other balances with central bank	342,003	11,077
Balances with other banks **	197,303	102,061
Placements with financial institutions with original maturities of less than 90 days	340,625	288,806
	879,931	401,944
Profit received	197,533	186,491
Profit paid	147,205	81,112

* Cash and cash equivalents is gross of the expected credit loss of BD 187 thousand (2023: BD 185 thousand).

** Balances with other banks is net of restricted cash of BD 2,636 thousand (2023: BD 3,511 thousand) which is not available for day to day operations.

The attached notes 1 to 19 form part of the condensed consolidated interim financial information.

Al Salam Bank B.S.C.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE-SHEET ASSETS UNDER MANAGEMENT

for the nine months period ended 30 September 2024

Amounts in BD '000s

30 September 2024 (Reviewed)	<i>Balance at 1 January 2024</i>	<i>Movement during the period</i>				<i>Balance at 30 September 2024 Total</i>	
		<i>Investment / (withdrawals)</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Bank's fees as an agent</i>		<i>Administration expenses</i>
Real estate development portfolio							
- Restricted Investment Accounts (RIA)	-	125,199	-	5,236	(925)	-	129,510
- Others	128,195	18,766	-	429	(173)	(593)	146,624
Other portfolio	5,963	185,855	-	2,749	(139)	-	194,428
	134,158	329,820	-	8,414	(1,237)	(593)	470,562

31 December 2023 (Audited)	<i>Balance at 1 January 2023</i>	<i>Movement during the period</i>				<i>Balance at 31 December 2023 Total</i>	
		<i>Investment / (withdrawals)</i>	<i>Revaluation</i>	<i>Gross income</i>	<i>Bank's fees as an agent</i>		<i>Administration expenses</i>
Real estate development portfolio							
- Restricted Investment Accounts (RIA)	-	-	-	-	-	-	-
- Others	121,878	-	6,317	-	-	-	128,195
Other portfolio	7,861	(1,206)	(692)	-	-	-	5,963
	129,739	(1,206)	5,625	-	-	-	134,158

The attached notes 1 to 19 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.

The principal subsidiaries as follows:

Name of entity	Country of incorporation	Principal activities	% holding	
			2024	2023
Al Salam Bank- Seychelles limited.	Seychelles	Banking services	70.0%	70.0%
Solidarity Group Holding B.S.C. (c)	Bahrain	Holding Company	55.9%	55.9%
Al Salam Bank Algeria (S.P.A)	Algeria	Banking services	68.0%	68.0%
ASB Finance B.S.C. (c) formerly Kuwait Finance House (Bahrain) B.S.C. (c)	Bahrain	Banking services	100.0%	-

The Bank and its principal banking subsidiaries operates through 24 branches and 1 auto finance office (2023: 17 branches) in the Kingdom of Bahrain, 25 branches in Algeria (2023: 24 branches) and 1 branch (2023: 1 branch) in Seychelles 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 under the CBB's Regulated Islamic Banking Services as defined in the licensing framework.

The condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (together the "Group") as at 30 September 2024.

The condensed consolidated interim financial information has been authorised for issue in accordance with a resolution of the Board of Directors dated 12 November 2024.

2 BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Financial Accounting Standard 41, Interim Financial Reporting ("FAS 41") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirements of AAOIFI and CBB rulebook for matters not covered under AAOIFI standards, the Group uses guidance from the relevant IFRS Accounting standards issued by the International Accounting Standard Board ("IFRS Accounting standards").

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 2023. 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 2023 except for changes arising from the adoption on 1 January 2024 of the following standards.

2.1 SIGNIFICANT ACCOUNTING 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 2023, except for the impact of new standards adopted during the period.

A. New standards, amendments, and interpretations issued and effective for annual periods beginning on or after 1 January 2024.**(i) FAS 1 General Presentation and Disclosures in the Financial Statements**

AAOIFI had 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. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 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. Significant changes relevant to the Group are a) Definition of Quasi equity is introduced; and b) Concept of comprehensive income has been introduced.

During the period, the Group has adopted FAS 1 revised. As a result of this adoption following changes were made to the primary statements of the Group:

Primary statements introduced

Statement of total comprehensive income

Statement of income and attribution related to quasi-equity

Statement of changes in off-balance-sheet assets under management

2 BASIS OF PREPARATION AND PRESENTATION (continued)

2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) FAS 1 General Presentation and Disclosures in the Financial Statements (continued)

As a result of the adoption of FAS 1 revised certain prior year figures have been represented and regrouped to be consistent with the current year presentation. Such grouping did not affect previously reported net profit, total assets, total liabilities and total equity of the Group. Further, the Group has elected to present statement of income and a statement of other comprehensive income as two separate statements.

(ii) FAS 42 Presentation and Disclosures in the Financial Statements of Takaful Institutions

This standard sets out the principles for the presentation and disclosure in the financial statements of Takaful Institutions and prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. Further this standard also establishes the general principles of presentation of information and adequately reflecting the rights and obligations of different stakeholders within the Takaful business model. This standard should be read in conjunction with FAS 43 – Accounting for Takaful Recognition and Measurement.

This standard supersedes the existing FAS 12 General presentation and disclosures in the financial statements of Islamic Takaful Companies and introduces following key changes:

- a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
- b) the presentation and disclosure in the standard have been amended to be aligned with the Sharia principles and rules relating to Takaful, whereby the Takaful operator is distinct from the participants' funds (including participants' Takaful fund (PTF) and participants' investment fund (PIF));
- c) the PTF and PIF are considered to be off-balance sheet assets under management, therefore, separate from the Takaful Operator;
- d) statements for the managed PTF and managed PIF have been introduced, including separate statements for financial position and financial activities of the managed PTF;
- e) disclosures of Zakah, Charity and Qard funds have been relocated to the notes to the financial statements in line with FAS 1; and
- f) new definitions of Takaful, Takaful institution, Takaful operator, PIF and PTF have been introduced.

This standard is applicable to all Takaful institutions regardless of their legal form or size, including Takaful window operations and is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

The Group has early adopted this standard for the takaful portfolio of its takaful subsidiary. Adoption of this standard did not have a material impact on the condensed consolidated financial information of the Group.

(iii) FAS 43 Accounting for Takaful Recognition and Measurement

This standard supersedes the following FAS; FAS 13 – Disclosure of Bases for Determining and Allocation Surplus or Deficit in Islamic Takaful Companies; FAS 15 – Provisions and Reserves in Islamic Takaful Companies and FAS 19 – Contributions in Islamic Takaful Companies introduces following key changes:

- a) the standard is aligned with the AAOIFI Conceptual Framework for Financial Reporting (Revised 2020) and FAS 1 General Presentation and Disclosures in the Financial Statements;
- b) the principal accounting treatments in respect of Takaful arrangements have been aligned with the globally generally accepted accounting principles and newer regulatory requirements (where applicable);
- c) new accounting treatments have been introduced in respect of matters which were not addressed or superseded standards or were not in line with the global best practices, particularly with regard to the accounting for provisions (or liability, as appropriate) for Takaful arrangements and accounting treatment and presentation for the investment component;
- d) accounting treatments mapped in the standard are mapped to the Sharia principles and rules relating to Takaful, including the rights and obligations of respective stakeholders of Takaful arrangements;
- e) new definitions for the accounting terms in respect of the newly introduced accounting treatments, as well as, improved definitions for earlier used terms, have been incorporated; and
- f) accounting treatments respect to ancillary transactions have been introduced, particularly the transactions and balances between various stakeholders of Takaful institutions, eg. Accounting for Wakala fees and Qard Hassan.

2 BASIS OF PREPARATION AND PRESENTATION (continued)

2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) FAS 43 Accounting for Takaful Recognition and Measurement (continued)

Under the transitional provisions of this standard, following approaches are prescribed upon first time adoption:

- 1) A full retrospective approach – whereby the effects of transition shall be incorporated from the beginning of the earliest period presented in the financial statements; however, the disclosure of the effect of such adoption in each line item and to the basic and diluted earnings per share shall not be mandatory; or
- 2) A modified retrospective approach – whereby effects of transition shall be taken to retained earnings, as well as accumulated surplus or deficit in the respective Takaful funds at the beginning of the current financial period; or
- 3) A fair value option – whereby the Takaful residual margin or loss component of the provision for the remaining entitlement period, at the transition date (beginning of the current period) shall be determined as the difference between fair value of Takaful arrangements at that date and the fair value of the fulfilment cashflows measured at that date, and the corresponding effects shall be adjusted in the retained earnings of Takaful institution, as well as accumulated surplus or deficit in the respective Takaful funds.

This standard shall apply to Takaful institutions (including in their capacity of being Takaful operators) and their managed participants' Takaful fund (PTF) and managed participants investment funds (PIF) in respect of the following, a) Takaful arrangements, including re-Takaful arrangements issued; b) re-Takaful arrangements held; c) investment contracts with or without discretionary features that are issued along with, and part of, the Takaful arrangements; and d) ancillary transactions related to Takaful operations. This standard is effective for the financial reporting periods beginning on or after 1 January 2025 with an option to early adopt.

The Group has early adopted this standard for the takaful portfolio of its takaful subsidiary. Adoption of this standard has resulted in presentation of takaful assets and liabilities on a net basis instead of gross basis.

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

1) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

2) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)".

The Group does not expect any significant impact on the adoption of this standard.

2 BASIS OF PREPARATION AND PRESENTATION (continued)

2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

2.2 SHARE CAPITAL

The shareholders in their Annual General Meeting held on 31 March 2024 approved to issue 130,846,508 bonus shares of BD 13,085 thousand representing 5% of issued and paid up share capital and approved a cash dividend of BD 17,947 thousand (2023: BD 12,359 thousand) being 0.007 fils per share or 7% of the par value of BD 0.100 per share excluding treasury shares. The total outstanding shares as of 30 September 2024 were 2,747,776,658 shares (December 2023: 2,616,930,150 shares). The calculation of basic and diluted earnings per share for previous period has also been adjusted to reflect the impact of bonus shares.

Subordinated Mudaraba (AT1)

During the period, the Bank has issued a Subordinated Mudaraba (Additional Tier 1 capital instrument) of BD 68,676 thousand. The issue was at par and paid in cash.

Summary of key terms and conditions of this issue are as follows:

- a. Profits on this instrument shall be distributed monthly starting from date of issue subject to and in accordance with terms and conditions on the outstanding par value of the securities at an expected rate of 6% p.a.
- b. Instrument holder will not have a right to claim the profits and such event will not be considered as an event of default.
- c. The Subordinated Mudaraba includes a call option after 5 years from the date of issue.

The Subordinated Mudaraba is recognized under the owners' equity in the condensed consolidated statement of financial position and the profits paid to rab al-maal (security holder) will be accounted for as appropriation of profits.

During the period, BD 2,256 thousand was paid as profit on AT1 securities.

3 INVESTMENT IN SUKUK

	<i>30 September 2024 (Reviewed)</i>			<i>31 December 2023 (Audited)</i>
	<i>Sovereign Sukuk</i>	<i>Corporate Sukuk</i>	<i>Total</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Carried at FVTOCI				
At 1 January	340,834	23,684	364,518	226,617
Purchases	221,146	8,601	229,747	279,773
Acquired through business combination	124,365	-	124,365	-
Sale / redemption	(66,127)	(7,504)	(73,631)	(140,933)
Fair value movement	21,698	1,136	22,834	(2,475)
Reversal of ECL / (Charge)	122	11	133	(105)
Profit accrual / Dividend	5,036	117	5,153	1,641
Closing Balance	647,074	26,045	673,119	364,518

This includes sukuk with carrying value of BD 227,036 thousand (2023: BD 228,250 thousand) which are pledged against murabaha term financing.

	<i>30 September 2024 (Reviewed)</i>			<i>31 December 2023 (Audited)</i>
	<i>Sovereign Sukuk</i>	<i>Corporate Sukuk</i>	<i>Total</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Carried at Amortised cost				
At 1 January	604,683	33,638	638,321	610,764
Purchases	140,713	13,160	153,873	276,536
Acquired through business combination	94,559	3,841	98,400	7,518
Redemption	(166,249)	(16,644)	(182,893)	(257,957)
Reversal of ECL / (Charge)	154	(191)	(37)	(158)
Amortisation	34	65	99	(114)
Profit accrual / Dividend	1,410	117	1,527	1,732
Closing Balance	675,304	33,986	709,290	638,321
	1,322,378	60,031	1,382,409	1,002,839

This includes sukuk with carrying value of BD 290,855 thousand (2023: BD 354,258 thousand) which are pledged against murabaha term financing.

Sukuk with carrying value of BD 13,114 thousand (2023: BD 14,905 thousand) are equity sukuk.

Breakup of Sukuk by issuer	<i>30 September 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
	Sovereign sukuk	1,322,378
Corporate sukuk	60,031	57,321
	1,382,409	1,002,839

The rating of corporate sukuk are as follows:	<i>30 September 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
	Investment grade (AAA - BBB+)	25,089
High Yielding (Below BBB-)	9,346	8,868
Un-rated sukuk	25,824	25,886
Allowance for credit losses	(228)	(48)
	60,031	57,321

As at 30 September 2024

4 FINANCING CONTRACTS

	30 September 2024 (Reviewed)				
	Stage 1: 12-month ECL	Stage 2:		POCI	Total
		Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired		
BD '000	BD '000	BD '000	BD '000	BD '000	
Ijarah	1,357,813	93,640	38,518	36,805	1,526,776
Murabaha financing	1,035,186	39,759	20,235	21,080	1,116,260
Mudaraba financing	577,986	28,845	34,331	24	641,186
Musharaka financing	33,263	-	46	-	33,309
Credit cards	20,233	352	1,415	-	22,000
Salam financing	319,561	5,306	7,520	517	332,904
Istisnaa financing	58,184	2,130	6,238	6	66,558
Total financing contracts	3,402,226	170,032	108,303	58,432	3,738,993
Allowance for credit losses	(21,825)	(13,732)	(28,837)	-	(64,394)
Foreign currency translation	9,444	195	300	15	9,954
	3,389,845	156,495	79,766	58,447	3,684,553

	31 December 2023 (Audited)				
	Stage 1: 12-month ECL	Stage 2:		POCI	Total
		Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired		
BD '000	BD '000	BD '000	BD '000	BD '000	
Ijarah	829,724	23,152	33,670	5,027	891,573
Murabaha financing	697,789	21,244	26,545	5,533	751,111
Mudaraba financing	592,379	33,848	20,279	44	646,550
Musharaka financing	30,234	415	152	-	30,801
Credit cards	13,709	353	1,288	-	15,350
Salam financing	321,848	8,807	4,752	1,396	336,803
Istisnaa financing	39,734	3,000	4,769	498	48,001
Total financing contracts	2,525,417	90,819	91,455	12,498	2,720,189
Allowance for credit losses	(16,334)	(8,332)	(23,922)	(435)	(49,023)
Foreign currency translation	4,993	164	108	29	5,294
	2,514,076	82,651	67,641	12,092	2,676,460

Murabaha financing is reported net of deferred profits of BD 60,031 thousand (2023: BD 102,116 thousand).

Movement on allowance for credit losses

	30 September 2024 (Reviewed)				
	Stage 1: 12-month ECL	Stage 2:		Purchased credit-impaired POCI	Total
		Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired		
BD '000	BD '000	BD '000	BD '000	BD '000	
Balance at 1 January	16,334	8,332	23,922	435	49,023
Movement between stages, net	398	(1,349)	951	-	-
Movement in loss allowance, net	5,093	6,749	3,964	(1,864)	13,942
Exchange adjustments and other transfers on settlement	-	-	-	1,429	1,429
Balance at 30 September	21,825	13,732	28,837	-	64,394

As at 30 September 2024

4 FINANCING CONTRACTS (continued)

Movement on allowance for credit losses (continued)

	<i>31 December 2023 (Audited)</i>				<i>Total</i>
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2:</i>		<i>Purchased credit-impaired POCI</i>	
		<i>Lifetime ECL not credit-impaired</i>	<i>Stage 3: Lifetime ECL credit-impaired</i>		
		<i>BD '000</i>	<i>BD '000</i>		
Balance at 1 January	17,309	12,290	19,337	-	48,936
Movement between stages, net	(3,486)	(2,427)	5,913	-	-
Movement in loss allowance, net	2,511	(1,531)	19,499	(2,317)	18,162
Amounts written off during the year	-	-	(20,827)	-	(20,827)
Exchange adjustments and other transfers on settlement	-	-	-	2,752	2,752
Balance at 31 December	16,334	8,332	23,922	435	49,023

The POCI assets are currently carried at 42.9% compared to their original contractual outstanding amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) have an ECL of 43.6% compared to their original contractual outstanding amounts.

The non-performing loan ratio at 30 September 2024 exclusive and inclusive of non-performing POCI is 2.9% and 4.5% respectively (31 December 2023: 3.4% and 3.8%).

5 NET IMPAIRMENT CHARGE ON FINANCING CONTRACTS, INVESTMENTS AND OTHER ASSETS

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

	<i>30 September 2024 (Reviewed)</i>				<i>Total</i>
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2:</i>		<i>POCI</i>	
		<i>Lifetime ECL not credit-impaired</i>	<i>Stage 3: Lifetime ECL credit-impaired</i>		
		<i>BD '000</i>	<i>BD '000</i>		
Balance at 1 January	19,222	8,487	26,450	435	54,594
- transfer to Stage 1: 12 month ECL	666	(524)	(142)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(259)	440	(181)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(87)	(1,183)	1,270	-	-
Net remeasurement of loss allowance	4,987	6,834	4,104	(1,864)	14,061
Allowance for credit losses	5,307	5,567	5,051	(1,864)	14,061
Exchange adjustments and other transfers	-	-	-	1,429	1,429
Balance at 30 September	24,529	14,054	31,501	-	70,084

	<i>30 September 2024 (Reviewed)</i>				<i>Total</i>
	<i>Stage 1: 12-month ECL</i>	<i>Stage 2:</i>		<i>POCI</i>	
		<i>Lifetime ECL not credit-impaired</i>	<i>Stage 3: Lifetime ECL credit-impaired</i>		
		<i>BD '000</i>	<i>BD '000</i>		
Cash and balances with banks and central bank	130	34	-	-	164
Placements with financial institutions	21	2	-	-	23
Investment in sukuk	202	26	-	-	228
Financing contracts	21,825	13,732	28,837	-	64,394
Financing other assets	35	-	-	-	35
Other receivables	-	-	2,057	-	2,057
Financing commitments and financial guarantee contracts	2,316	260	607	-	3,183
	24,529	14,054	31,501	-	70,084

5 NET IMPAIRMENT CHARGE ON FINANCING ASSETS, INVESTMENTS AND OTHER ASSETS (continued)

Net impairment charge on financing assets, investments and other assets

	30-Sep 2024 (Reviewed) BD '000	30-Sep 2023 (Reviewed) BD '000
Cash and balances with banks and central bank	(175)	(35)
Placements with financial institutions	6	(70)
Sukuk	(280)	357
Financing contracts (note 4)	13,942	13,577
Other Assets	(929)	356
Financing commitments and financial guarantee contracts	1,497	1,057
Investments	(58)	2,478
	14,003	17,720

The day one ECL impact on acquisition during the period is BD 2.5 million. (2023: BD 7.6 million)

	<i>30 September 2023 (Reviewed)</i>				
	<i>Stage 2:</i>			<i>POCI</i>	<i>Total</i>
	<i>Stage 1: 12-</i>	<i>Lifetime</i>	<i>Stage 3:</i>		
	<i>month ECL</i>	<i>ECL not</i>	<i>Lifetime</i>		
<i>BD '000</i>	<i>credit-</i>	<i>ECL credit-</i>	<i>BD '000</i>	<i>BD '000</i>	
	<i>impaired</i>	<i>impaired</i>			
Balance at 1 January	18,257	12,327	27,150	-	57,734
- transfer to Stage 1: 12 month ECL	667	(378)	(289)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(3,823)	4,412	(589)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(695)	(5,645)	6,340	-	-
Net remeasurement of loss allowance	2,778	1,067	14,175	(2,317)	15,703
Recoveries / write-backs	-	-	(461)	-	(461)
Allowance for credit losses	(1,073)	(544)	19,176	(2,317)	15,242
Exposures written off during the period	-	-	(25,846)	-	(25,846)
Exchange adjustments and other transfers on settlement	(62)	13	(68)	2,752	2,635
Balance at 30 September	17,122	11,796	20,412	435	49,765

	<i>30 September 2023 (Reviewed)</i>				
	<i>Stage 2:</i>			<i>POCI</i>	<i>Total</i>
	<i>Stage 1: 12-</i>	<i>Lifetime</i>	<i>Stage 3:</i>		
	<i>month ECL</i>	<i>ECL not</i>	<i>Lifetime</i>		
<i>BD '000</i>	<i>credit-</i>	<i>ECL credit-</i>	<i>BD '000</i>	<i>BD '000</i>	
	<i>impaired</i>	<i>impaired</i>			
Cash and balances with banks and central bank	64	105	-	-	169
Placements with financial institutions	14	2	-	-	16
Investment in sukuk	526	77	-	-	603
Financing contracts	14,646	11,520	17,646	435	44,247
Financing other assets	510	10	495	-	1,015
Other receivables	-	-	2,183	-	2,183
Financing commitments and financial guarantee contracts	1,362	82	88	-	1,532
	17,122	11,796	20,412	435	49,765

As at 30 September 2024

6 TAKAFUL ASSETS AND LIABILITIES

	<i>30 September 2024 (Reviewed) BD '000</i>	<i>31 December 2023 (Audited) BD '000</i>
Takaful assets	13,121	67,370
Investments of participants in units	9,250	-
Takaful assets (refer note 2.1 (iii))	22,371	67,370
Takaful liabilities	59,800	114,493
Other liabilities	9,954	-
Takaful liabilities (refer note 2.1 (iii))	69,754	114,493

7 INVESTMENT IN ASSOCIATES

The Group has a 20.9% (2023: 20.9%) stake in Gulf African Bank ("GAB"), an Islamic commercial bank incorporated as the first Islamic bank in Kenya in August 2006, licensed by the Central Bank of Kenya.

During 2022, as part of its acquisition of the retail business of Ithmaar Holding, the Group acquired economic interests in a sharia compliant financing arrangement provided to FINCORP W.L.L (formerly Al Salam International W.L.L. ("ASI")), who is the holder of 26.2% 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. FINCORP W.L.L'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 FINCORP W.L.L 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.

	<i>30 September 2024 (Reviewed) BD '000</i>	<i>31 December 2023 (Audited) BD '000</i>
Balance at the beginning of the period	231,484	254,006
Derecognition of associate due to step up acquisition	-	(33,767)
Share of profits	14,016	21,043
Share of other changes in equity	3,150	8,511
Dividends received from associates	(15,053)	(17,477)
Foreign exchange differences	-	(832)
Balance at end of the period	233,597	231,484

Following the summary of financial information of the Group's material investment in associates, which is adjusted for changes in accounting policies and fair value adjustments on acquisition.

Reconciliation of financial information to carrying value of Group's interest in BBK.

	Indirect exposure BBK 2024 BD '000	Indirect exposure BBK 2023 BD '000
Group's holding		
Total assets	4,113,400	4,005,203
Total liabilities	3,485,600	3,384,400
Net assets (100%)	627,800	620,803
Group's share of recognised net assets	164,421	162,588
Acquisition accounting related adjustments	65,202	65,202
Carrying amount of interest in associate	229,623	227,790
Revenue	125,200	83,000
Profit (100%)	55,000	38,541
Other change in equity (comprehensive income)	12,524	9,103
Total comprehensive income (100%)	82,724	53,562
Group's share of profits	13,715	10,094
Groups share of other changes in equity	3,280	2,384

The market value of BBK stood at BD 236.5 million as at 30 September 2024 (2023: BD 228.4 million). This fair value was determined using market value per share and were not adjusted for any holding of account related adjustments.

For other associates based on the summarized financial statements, the revenue, profit and Group's share of profit were BD 2,797 thousand (2023: BD 2,646 thousand), BD 1,304 thousand (2023: BD 1,307 thousand) and BD 273 thousand (2023: BD 1,423 thousand), respectively.

As at 30 September 2024

8 QUASI-EQUITY

Quasi-equity comprise:

	<i>30 September 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
Wakala from financial institutions	513,024	379,768
Wakala, Mudaraba from customers	3,553,113	2,424,617
	<u>4,066,137</u>	<u>2,804,385</u>

The Group utilizes the funds from quasi-equity to finance the following assets.

	<i>30 September 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
Asset		
Mandatory reserve with central bank	-	93,158
Cash and other balances with central bank	337,249	-
Placements with financial institutions	331,728	217,380
Non-trading investments	8,628	-
Investment in real estate	17,261	-
Investment in associate	229,623	227,790
Financing contracts	1,783,835	1,525,505
Ijara Muntahia Bitamleek	1,357,813	740,552
	<u>4,066,137</u>	<u>2,804,385</u>

Quasi-equity 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, 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 quasi-equity pool. All the impairment allowances relating to non performing assets are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to quasi-equity accountholders. Only the profits earned on pool of assets funded from quasi-equity are allocated between the owners' equity and quasi-equity. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to quasi-equity and up to 85% is retained by the Group as mudarib share. The Group did not charge any administration expenses to quasi-equity. The average profit rate attributed to quasi-equity based on the above ratio for the period ended 30 September 2024 was 4.1% (2023: 3.6%).

9 INCOME FROM TAKAFUL OPERATIONS, NET

	<i>30 September 2024 (Reviewed)</i>	<i>30 September 2023 (Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
Takaful revenue	70,796	43,254
Takaful service expenses	(39,004)	(22,156)
Net from retakaful contracts	(19,321)	(11,830)
Net finance expense from takaful contracts	(1,091)	(852)
Net finance expense from retakaful contracts	234	240
Takaful corporate expenses	(7,450)	(3,305)
Income from Takaful operations, net	<u>4,164</u>	<u>5,351</u>

10 OTHER INCOME

	<i>30 September 2024 (Reviewed)</i>	<i>30 September 2023 (Reviewed)</i>
	<i>BD '000</i>	<i>BD '000</i>
Foreign exchange gains	3,580	1,650
Recoveries	895	207
Income from properties	833	426
Others	1,086	644
	<u>6,394</u>	<u>2,927</u>

11 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 2024 and 31 December 2023 were as follows:

	<i>30 September 2024 (Reviewed)</i>				
	<i>Associates and joint ventures</i>	<i>Major shareholders</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Assets:					
Cash and balances with banks and central bank	-	175	-	-	175
Financing contracts	24,911	-	2,876	2,252	30,039
Non trading investments	68,910	-	-	-	68,910
Investment in associates	233,597	-	-	-	233,597
Takaful receivables	-	-	482	-	482
Other assets	-	-	-	14	14
Liabilities and Quasi-equity:					
Customers' current accounts	1,789	370	5,548	1,101	8,808
Quasi-equity	10,388	3,393	9,763	7,089	30,633
Other liabilities	24	-	111	1,890	2,025
Takaful Liabilities	83	-	-	-	83
Restricted Investment Account	-	-	-	250	250
Assets Under Management	-	-	1,493	1,389	2,882
Contingent liabilities and commitments	8	-	853	-	861
	<i>31 December 2023 (Audited)</i>				
	<i>Associates and joint ventures</i>	<i>Major shareholders</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Assets:					
Cash and balances with banks and central bank	-	95	-	-	95
Financing contracts	23,237	9,376	1,637	1,340	35,590
Non trading investments	67,054	-	-	-	67,054
Investment in associates	231,484	-	-	-	231,484
Liabilities and Quasi-equity:					
Customers' current accounts	1,846	463	4,136	467	6,912
Quasi-equity	4,376	1,646	6,926	2,651	15,599
Other liabilities	91	-	953	16	1,060
Contingent liabilities and commitments	8	-	651	-	659

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

	<i>30 September 2024 (Reviewed)</i>				
	<i>Associates and joint ventures</i>	<i>Major shareholders</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Income:					
Income from financing contracts	1,236	27	287	61	1,611
Dividend Income	229	-	-	-	229
Income from takaful operations, net	-	-	773	3	776
Share of profit from associates, net	14,016	-	-	-	14,016
Expenses:					
Income attributable to quasi-equity	318	82	353	152	905
Takaful Expenses	335	-	154	-	489
Other operating expenses	-	-	2,188	1,903	4,091
Impairment charge	17	-	-	-	17

11 RELATED PARTY TRANSACTIONS (continued)

	<i>30 September 2023 (Reviewed)</i>				
	<i>Associates and joint ventures</i>	<i>Major shareholders</i>	<i>Directors and related entities</i>	<i>Senior management</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Income:					
Income from financing contracts	1,022	496	94	42	1,654
Fees and commission	-	-	-	-	-
Income from takaful revenue	8	-	3	-	11
Income from non-trading investments, net	157	-	-	-	157
Share of profit from associates, net	15,974	-	-	-	15,974
Expenses:					
Finance expense on placements from financial institutions	-	78	-	-	78
Profit on placement from customers	449	-	-	-	449
Income attributable to quasi-equity	89	262	272	62	685
Other operating expenses	-	-	-	3,278	3,278
Impairment charge	2,296	-	-	-	2,296

12 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 September 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
	<i>BD '000</i>	<i>BD '000</i>
	Contingent liabilities on behalf of customers	
Guarantees	179,913	137,932
Letters of credit	192,637	170,259
Acceptances	4,970	1,648
	377,520	309,839
Unutilised commitments		
Unutilised financing commitments	357,169	313,076
Unutilised non-funded commitments	39,558	37,261
	396,727	350,337

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.

13 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;

	<i>30 September 2024 (Reviewed)</i>		<i>31 December 2023 (Audited)</i>	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
FX Wa'ad instruments				
Assets position	69,736	1,712	42,630	563
Liabilities position	51,214	1,028	52,515	337

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

14 SEGMENT INFORMATION**Primary segment information**

For management purposes, 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 subsidiaries in Seychelles and Algeria. 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 investment in certain associates and joint ventures.

Takaful

Represents the Group's investment in Solidarity Group Holding BSC (c) which is primarily 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:

	<i>30 September 2024 (Reviewed)</i>					
	<i>Banking</i>	<i>Treasury</i>	<i>Investments</i>	<i>Takaful</i>	<i>Unallocated</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Income						
Income from financing contracts	170,782	18,635	-	1,280	-	190,697
Income from investment in sukuk	-	48,984	-	1,523	-	50,507
Finance expense on placements from financial institutions	(2,189)	(6,054)	-	-	-	(8,243)
Finance expense on murabaha term financing	-	(21,279)	-	-	-	(21,279)
Income from jointly financed assets	168,593	40,286	-	2,803	-	211,682
Income from securities	(209)	-	(367)	949	-	373
Fees and commission, net	14,724	4,096	-	-	-	18,820
Share of profit from associates	13,715	-	273	28	-	14,016
Income from Takaful operations, net	-	-	-	4,164	-	4,164
Other income	4,743	1,395	(82)	338	-	6,394
Total income	201,566	45,777	(176)	8,282	-	255,449
Expense						
Staff cost	25,611	6,158	828	-	-	32,597
Other operating expenses	27,739	6,460	1,204	3,968	-	39,371
Total Expense	53,350	12,618	2,032	3,968	-	71,968
Operating income before impairment allowances, taxes and attribution to quasi-equity	148,216	33,159	(2,208)	4,314	-	183,481
Net impairment charge on financing contracts, investments and other assets	(14,513)	452	(71)	129	-	(14,003)
Operating income before taxes and attribution to quasi-equity	133,703	33,611	(2,279)	4,443	-	169,478
Tax for the period	(4,853)	-	-	-	-	(4,853)
Operating income before attribution to quasi-equity	128,850	33,611	(2,279)	4,443	-	164,625
Income attributable to quasi-equity	(89,982)	(25,376)	-	-	-	(115,358)
Profit for the period	38,868	8,235	(2,279)	4,443	-	49,267
Segment assets	4,405,088	2,009,802	231,773	123,310	103,639	6,873,612
Segment liabilities, and quasi-equity	4,757,463	1,461,473	701	53,704	88,579	6,361,920

Goodwill and other intangibles include BD 194,193 thousand (2023: BD 66,970 thousand) allocated from acquisitions during the period and prior periods within the banking segment and BD 11,175 thousand (2023: 11,175 thousand) attributable to the Takaful segment.

14 SEGMENT INFORMATION (continued)

	30 September 2023 (Reviewed)					Total BD '000
	Banking BD '000	Treasury BD '000	Investments BD '000	Takaful BD '000	Unallocated BD '000	
Income						
Income from financing contracts	116,291	7,202	135	875	-	124,503
Income from investment in sukuk	-	33,921	-	898	-	34,819
Finance expense on placements from financial institutions	(142)	(8,261)	-	-	-	(8,403)
Finance expense on murabaha term financing	-	(16,068)	-	-	-	(16,068)
Income from jointly financed assets	116,149	16,794	135	1,773	-	134,851
Income from securities	15,439	(7,923)	(714)	1,173	-	7,975
(Loss) / income from properties, net	-	-	-	-	-	-
Fees and commission, net	8,828	2,112	-	-	-	10,940
Share of profit from associates	14,317	-	1,620	37	-	15,974
Income from Takaful operations, net	-	-	-	5,351	-	5,351
Other income	443	874	1,473	137	-	2,927
Total income	155,176	11,857	2,514	8,471	-	178,018
Expense						
Staff cost	16,539	4,194	2,768	-	-	23,501
Other operating expenses	14,853	3,435	4,512	4,083	-	26,883
Total Expense	31,392	7,629	7,280	4,083	-	50,384
Operating income before impairment allowances, taxes and attribution to quasi-equity	123,784	4,228	(4,766)	4,388	-	127,634
Net impairment charge on financing contracts, investments and other assets	(14,990)	(252)	(2,478)	-	-	(17,720)
Operating income before taxes and attribution to quasi-equity	108,794	3,976	(7,244)	4,388	-	109,914
Tax for the period	(2,837)	-	-	-	-	(2,837)
Operating income before attribution to quasi-equity	105,957	3,976	(7,244)	4,388	-	107,077
Income attributable to quasi-equity	(60,245)	(12,145)	(186)	-	-	(72,576)
Profit for the period	45,712	(8,169)	(7,430)	4,388	-	34,501

Segment information for the year ended 31 December 2023 (Audited) was as follows:

Segment assets	3,274,290	1,485,734	181,630	158,944	46,512	5,147,110
Segment liabilities, and quasi-equity	3,387,058	1,184,538	1,315	107,580	57,969	4,738,460

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.

15 FAIR VALUE

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, sukuk and FX waad portfolio carried at fair value in the condensed consolidated statement of financial position:

30 September 2024 (Reviewed)	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Sovereign sukuk at fair value through OCI	553,668	93,406	-	647,074
Corporate sukuk at fair value through OCI	24,739	1,306	-	26,045
Equity securities at fair value through income statement	2,925	593	75,869	79,387
Equity securities at fair value through OCI	11,905	-	7,050	18,955
FX Wa'ad assets position	-	1,712	-	1,712
	593,237	97,017	82,919	773,173
FX Wa'ad liabilities position	-	1,028	-	1,028
	-	1,028	-	1,028

As at 30 September 2024

15 FAIR VALUE (continued)

31 December 2023 (Audited)	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Sovereign sukuk at fair value through OCI	270,865	69,970	-	340,835
Corporate sukuk at fair value through OCI	23,337	346	-	23,683
Equity securities at fair value through income statement	3,611	6,622	75,972	86,205
Equity securities at fair value through OCI	11,133	-	2,722	13,855
FX Wa'ad assets position	-	563	-	563
	<u>308,946</u>	<u>77,501</u>	<u>78,694</u>	<u>465,141</u>
FX Wa'ad liabilities position	-	337	-	337
	<u>-</u>	<u>337</u>	<u>-</u>	<u>337</u>

Financial instruments measured at amortized cost**30 September 2024 (Reviewed)**

	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Sovereign sukuk	602,623	72,681	-	675,304
Corporate sukuk	29,548	-	4,438	33,986
	<u>632,171</u>	<u>72,681</u>	<u>4,438</u>	<u>709,290</u>

31 December 2023 (Audited)

	Level 1	Level 2	Level 3	Total
	BD '000	BD '000	BD '000	BD '000
Sovereign sukuk	540,408	64,275	-	604,683
Corporate sukuk	33,638	-	-	33,638
	<u>574,046</u>	<u>64,275</u>	<u>-</u>	<u>638,321</u>

The fair value of sukuk carried at amortized cost is BD 708,534 thousand (2023: BD 750,394 thousand).

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

	30 September 2024 (Reviewed)	31 December 2023 (Audited)
	BD '000	BD '000
At 1 January	78,694	85,718
Acquired as part of business combination	3,064	-
Purchases	1,176	-
Transfers	17	(1,462)
Fair value changes	(16)	(2,410)
Impairment	(16)	(3,152)
	<u>82,919</u>	<u>78,694</u>

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

Valuation technique used	Key unobservable inputs	Fair value at 30	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
		September 2024		
		BD'000		
Asset Valuation	Underlying real estate	105,565	+/- 5%	5,278 / (5,278)

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

	30 September 2024 (Reviewed)	31 December 2023 (Audited)
	BD '000	BD '000
At 1 January	-	14,313
Reclassified within FVTOCI	-	(14,313)
	<u>-</u>	<u>-</u>

As at 30 September 2024

15 FAIR VALUE (continued)**Other Financial instruments not measured at fair value**

The estimated fair value of yielding 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 2024 and 31 December 2023 due to their short term nature.

16 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 2023.

17 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 2024 and 31 December 2023, is as follows:

	<i>Total weighted value BD'000</i>	
	<i>30 September 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
Stock of HQLA	1,095,851	640,852
Net cashflows	494,137	351,585
LCR %	226.6%	185.0%
Minimum required by CBB	100.0%	100.0%

2) Capital Adequacy Ratio

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.

BD'000	<i>As at</i>	
	<i>30 September 2024 (Reviewed)</i>	<i>31 December 2023 (Audited)</i>
CET 1 Capital before regulatory adjustments	365,808	337,263
Less: regulatory adjustments	48,888	49,667
CET 1 Capital after regulatory adjustments	316,920	287,596
AT 1 Capital	71,675	3,574
T 2 Capital adjustments	61,123	52,160
Regulatory Capital	449,718	343,330
Risk weighted exposure:		
Credit Risk Weighted Assets	2,014,019	1,548,447
Market Risk Weighted Assets	13,210	1,300
Operational Risk Weighted Assets	174,544	137,610
Total Regulatory Risk Weighted Assets	2,201,773	1,687,357
Total Adjusted Risk Weighted Exposures	2,201,773	1,687,357
Capital Adequacy Ratio	20.4%	20.4%
Tier 1 Capital Adequacy Ratio	17.6%	17.3%
Tier 2 Capital Ratio	2.8%	3.1%
Minimum required by CBB	14.0%	12.5%

As of 30 September 2024, aggregate of modification loss of BD 16,512 thousand (2023: BD 16,512 thousand) has been added back to Tier 1 capital.

17 REGULATORY RATIOS (continued)**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.

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 2024 is calculated as follows:

Item	<i>BD'000</i>				
	<i>Unweighted Values (before applying relevant factors)</i>				
	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	422,399	-	-	61,123	483,523
Retail deposits and deposits from small business customers:					
Stable deposits	-	385,838	22,645	9,243	397,301
Less stable deposits	-	2,111,161	528,242	234,831	2,610,294
Wholesale funding:					
Other wholesale funding	-	2,406,311	319,695	106,971	840,958
Other liabilities:					
All other liabilities not included in the above categories	-	180,238	-	-	-
Total ASF	422,399	5,083,548	870,582	412,168	4,332,076
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	49,039
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	511,213	338	3,827	80,678
Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,406,546	283,844	1,320,427	1,947,227
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	101,653	66,074
Performing residential mortgages, of which:	-	-	-	553,055	359,486
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	553,055	359,486
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	19,711	8,514	10,186	22,770
Other assets:					
All other assets not included in the above categories	1,169,989	15,476	3,972	89,300	1,160,492
OBS items	-	773,448	-	-	38,672
Total RSF	1,169,989	2,726,394	296,668	1,976,795	3,658,364
NSFR (%)	-	-	-	-	118.4%

17 REGULATORY RATIOS (continued)

3) Net Stable funding Ratio (continued)

The NSFR (as a percentage) as at 31 December 2023 is calculated as follows:

Item	<i>BD'000</i>		<i>Unweighted Values (before applying relevant factors)</i>				
			<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>More than 6 months and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>
Available Stable Funding (ASF):							
Capital:							
Regulatory Capital			325,754	-	-	52,160	377,914
Retail deposits and deposits from small business customers:							
Stable deposits			-	340,231	15,956	10,512	348,890
Less stable deposits			-	1,215,891	363,513	273,026	1,694,490
Wholesale funding:							
Other wholesale funding			-	2,028,868	133,881	104,315	610,515
Other liabilities:							
All other liabilities not included in the above categories			-	144,683	-	-	-
Total ASF			325,754	3,729,673	513,350	440,013	3,031,809
Required Stable Funding (RSF):							
Total NSFR high-quality liquid assets (HQLA)			-	-	-	-	38,622
Performing financing and sukuk/ securities:							
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions			-	415,492	883	4,333	67,098
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:			-	854,332	262,593	1,124,303	1,480,761
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines			-	-	-	166,799	108,419
Performing residential mortgages, of which:			-	-	-	355,894	231,331
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines			-	-	-	355,894	231,331
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities			-	18,929	7,212	2,789	15,441
Other assets:							
All other assets not included in the above categories			682,607	18,413	1,638	93,168	758,424
OBS items			-	659,523	-	-	32,976
Total RSF			682,607	1,966,689	272,326	1,580,487	2,624,653
NSFR (%)			-	-	-	-	115.5%

18 ACQUISITION OF BUSINESS AND ASSETS

During the second quarter, the Bank acquired 100% shareholding in Kuwait Finance House - Bahrain (KFHB), a Retail Islamic Bank incorporated in the Kingdom of Bahrain, which was fully owned subsidiary of Kuwait Finance House K.S.C.P. (“KFH Group”), after obtaining the requisite regulatory approvals. The Group has consolidated the results and financial position of KFHB Bahrain from 1 April 2024.

The fair value of assets, liabilities, equity interests are 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.

Identifiable assets acquired and liabilities assumed

a) Total consideration

Total cash consideration is BD 214,488 thousand.

b) Fair value of identifiable assets acquired and liabilities assumed

The following table summarises the provisional amounts of identifiable assets acquired and liabilities assumed

ASSETS ACQUIRED

	<i>BD '000</i>
Cash and bank balances and Central Bank of Bahrain	28,007
Due from banks	48,583
Financing contracts	977,930
Investments in equity	12,887
Investments in sukuk	227,269
Investments in real estate	12,434
Receivables and other assets	156,348
Premises, equipment and right of use intangible assets	22,856
Total assets acquired (A)	1,486,314

LIABILITIES ASSUMED

	<i>BD '000</i>
Customers' current accounts	119,759
Due to banks	1,676
Due to non- banks	85,741
Other liabilities	31,348
Total liabilities	238,524
Quasi-equity	1,148,340
Total liabilities and Quasi-equity (B)	1,386,864
Total identifiable net assets acquired (C = A-B)	99,450

c) Goodwill

	<i>BD '000</i>
Consideration	214,488
Fair value of identifiable net assets acquired	(99,450)
Goodwill	115,038

In the six months ended 30 September 2024, ASB Finance B.S.C. (c) formerly Kuwait Finance House (Bahrain) B.S.C. (c) contributed revenue of BD 44,545 thousand and profit of BD 3,866 thousand net of provisional acquisition adjustments to the Group's results. If the acquisition had occurred on 1 January 2024, management estimates that consolidated revenue would have been BD 260,256 thousand. It is impracticable to determine the profit or loss of the combined entity for the current reporting period assuming the acquisition had occurred on 1 January 2024, due to the impact of acquisition accounting adjustments.

19 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 profit for the period or total equity of the Group.